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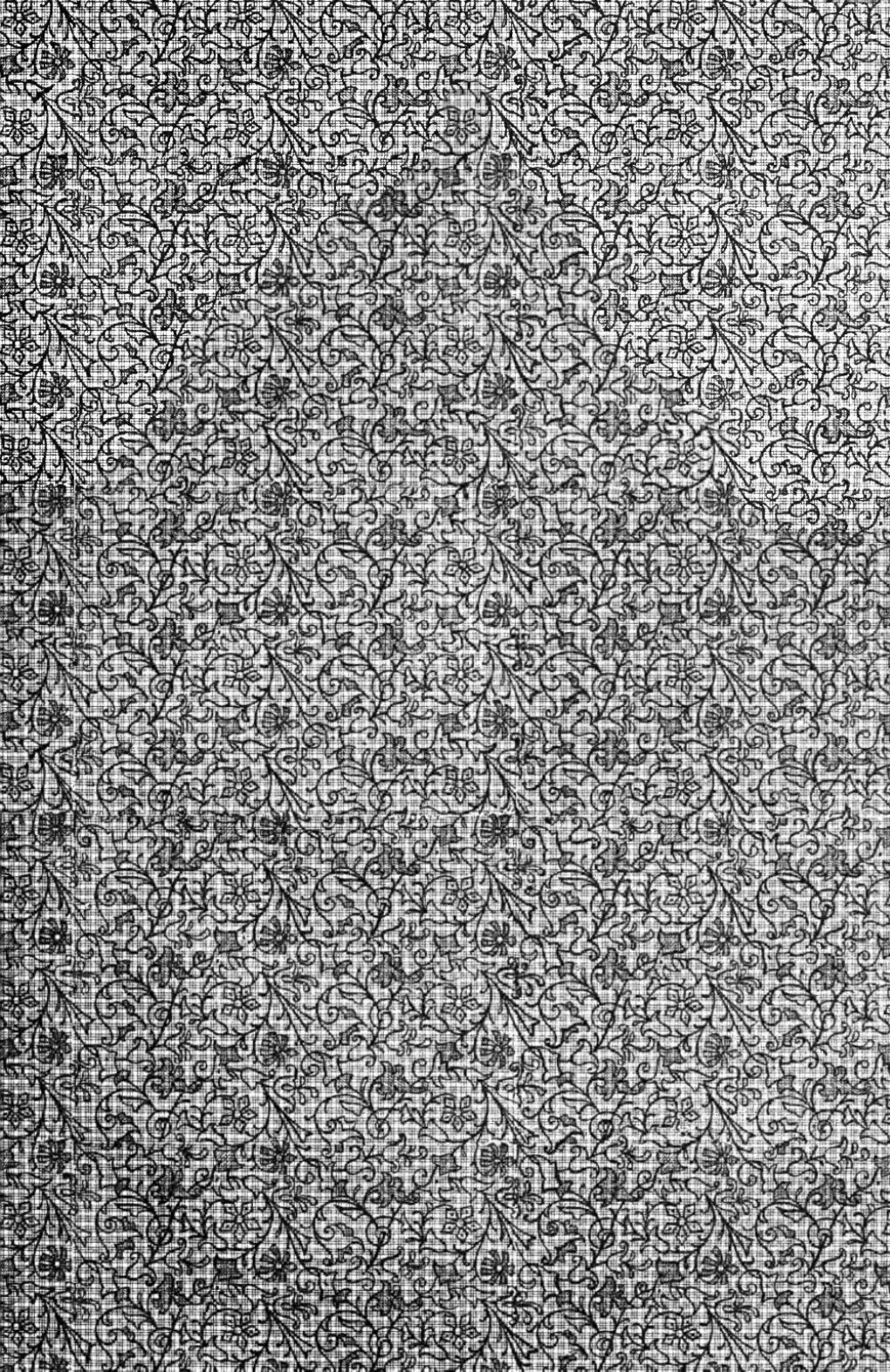


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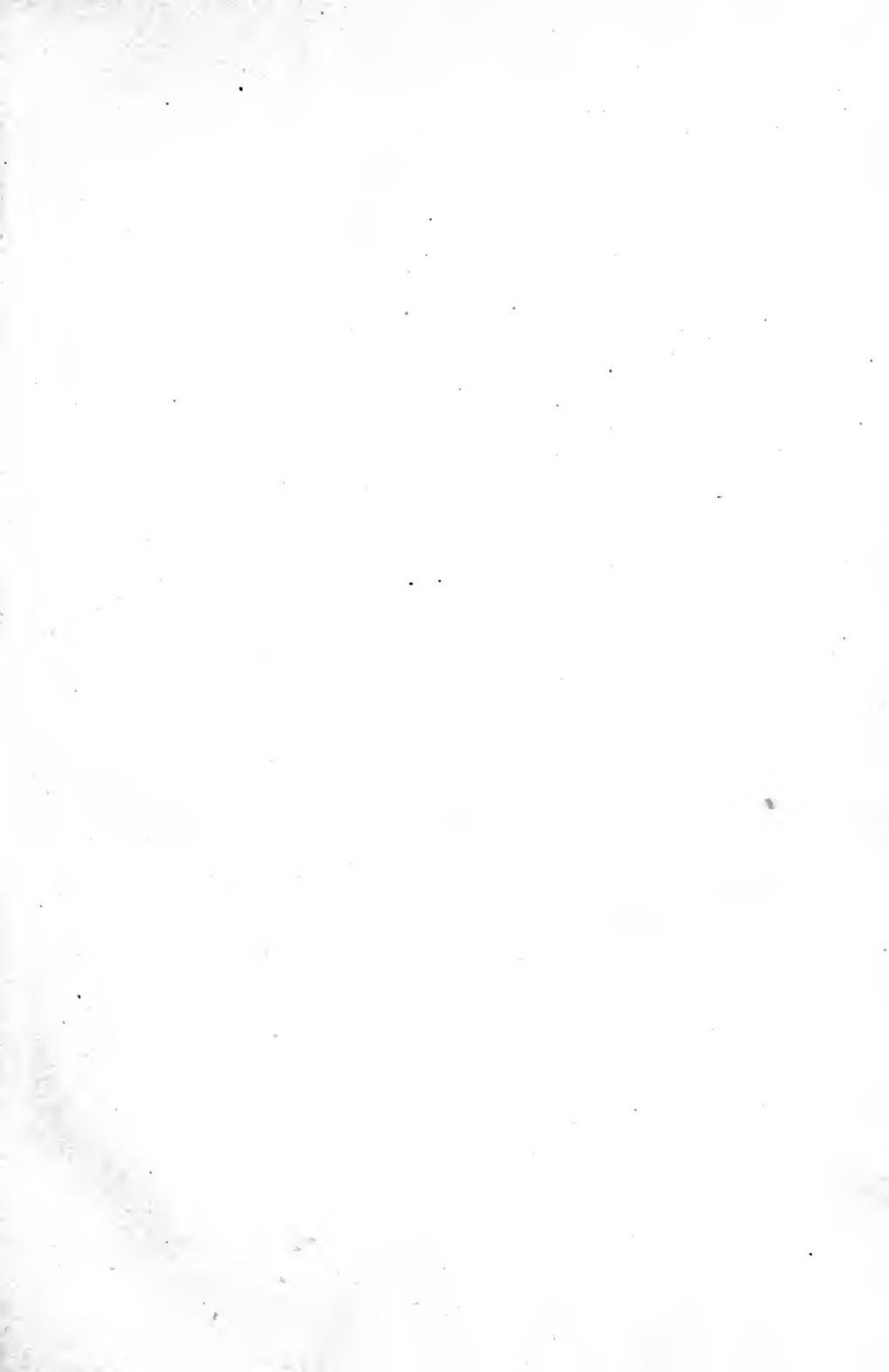
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THE GOLD ROOM

And the New York Stock Exchange
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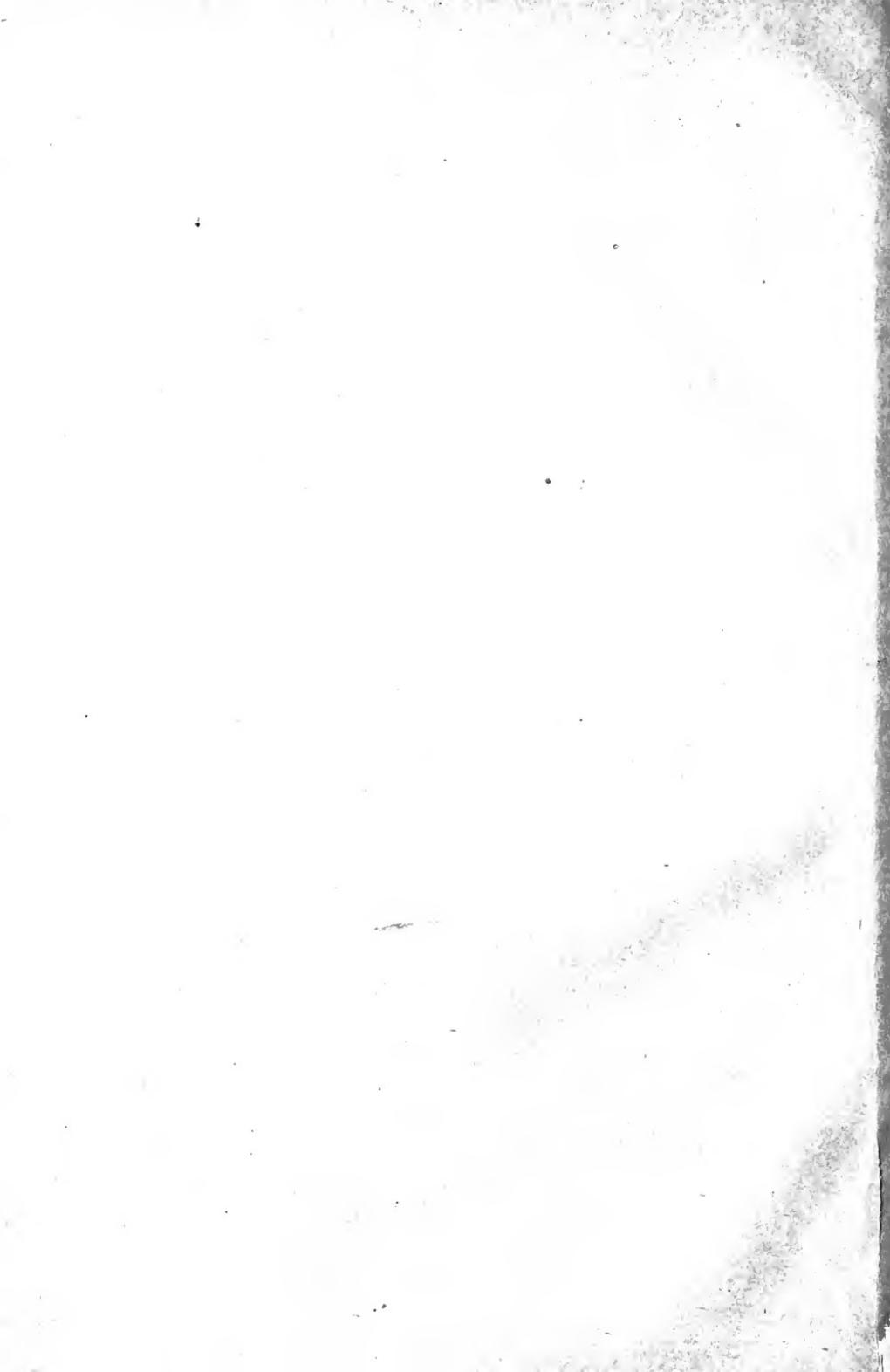
BY

KINAHAN CORNWALLIS.

NEW YORK:

A. S. BARNES & CO.,

111 & 113 WILLIAM STREET.



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THE NEW YORK GOLD ROOM.

FOR nearly a fortnight after the New York banks suspended specie payments, on the 31st of December, 1861, there was no regular gold market. The transactions in the precious metals had been confined to the counters of the dealers in bullion and uncurrent money, who asked for it a small but gradually advancing premium. The first formal dealings in gold took place in Wall street—or rather in William street—on Monday the 13th of January, 1862, and all the transactions on that day were at 103. The existence of the New York Gold Room practically began at that date—although the Gold Exchange was not organized until a year and three quarters afterwards. Thenceforward gold was regularly dealt, both at the Stock Exchange and on the Street. The stock-brokers, however, deemed it unpatriotic to buy gold, and—believing the premium could not long be maintained—they had a *penchant* for selling it “short,” or, in other words, for future delivery, without having it in possession, hoping for a decline that would allow them to buy at a profit, and so cover their contracts. But finding that it continued to rise, they desisted from this, and ultimately passed a resolution refusing to deal in it at all at the Board. To this they steadily adhered ever afterwards, excepting that when the Black Friday panic occurred, involving the closing of the Gold Room, they for the time being provided for gold dealings, and an attempt was made to establish a gold department of the Stock Exchange, but the proposition was rejected.

The early infancy of the Gold Room was passed in the “Coal Hole” in William street, between Beaver and Exchange Place, and just below the passage-way then leading to the Stock Exchange—a dark, repulsive basement, since improved, and converted into a restaurant. The apartment was shared by its first inmates, a host of stock operators and “curb-stone” brokers—a class which has since become extinct—who afterwards organized as the Open Board of Brokers. Although speculation in gold soon became active, the premium ruled low for six months after the suspension. During the first four months of 1862, the extreme variations in the premium were from 1 to 3½

per cent. only. In May it rose from 2 to 4 per cent., and in June steadily advanced to $9\frac{1}{2}$, but military reverses sent it up to 20 in July, although it fell to $12\frac{1}{2}$ in August, from which point it gradually moved upward to 34 before the close of the year. In March 1863, it rose to $71\frac{3}{4}$, but declined to $22\frac{1}{2}$ in August, and advanced again to 54, from which point it continued to ascend till the 11th of July, 1864, when the highest figure it ever attained was reached. The large war expenditures, the spread, and uncertain duration of the conflict, and the steady augmentation of the volume of the currency, naturally stimulated speculation for a rise in gold, and the people at large participated in it to an extent that recalled historical memories of the Tulip Mania in Holland, and of the South Sea Bubble in England. Importers bought gold, not only to pay their foreign indebtedness, but to secure themselves against any depreciation of the currency that might occur between the time of the purchase of their goods abroad and that of their being marketed at home, as well as to provide for the payment of customs' duties. Merchants, manufacturers, and others engaged in legitimate business bought it to protect themselves against loss on their stocks of merchandise, and the private bankers with European connections—commonly called foreign bankers—bought it for shipment against their bills of exchange whenever the notes for sterling were high enough to make such shipments profitable. But the purchases for commercial purposes were a mere drop in comparison with the ocean of speculative transactions. The mercantile community, and the foreign bankers, not content with satisfying their trade wants became, in most instances, heavy speculators, while nearly all the professional stock-jobbers in Wall street operated in gold as fully as in securities. Men of all pursuits, all over the country, who had funds sufficient to furnish the necessary ten per cent. margins—five per cent. is now more than sufficient—became gold speculators, and the telegraph wires were all day long bearing their orders to brokers to buy, or sell. Lawyers and editors, clergymen and doctors, learned professors and illiterate store-keepers, bank officers and farmers, dentists and architects, publishers and authors, army paymasters and government clerks, gamblers and gentlemen, saints and sinners—a mighty and a motley host, composed of good, bad, and indifferent elements—rushed to the Gold Room, either *in propria persona* or through the medium of a sweltering multitude of brokers, whose cries and gesticulations in times of excitement—and they were many—bordered upon the frantic. Some of the latter made large fortunes with great rapidity, their commission of

twelve dollars and a half on every ten thousand dollars in gold, bought or sold, often amounting to thousands of dollars a day.

The heaviest speculative orders were sent from Washington and Baltimore, and next to these, from Louisville, Kentucky, owing to these cities being in close communication with the seat of war and the rebel lines; and the operators there, almost to a man, were "bulls" in feeling, and strong Secessionists. But though seldom or never found selling "short" they were quick to sell out their "long" gold—that is the gold they were carrying—whenever the Confederate arms met with a reverse, and as quick to buy it back again when the market seemed to "touch bottom." As news-getters these men were like hawks in search of prey, and those at Washington in particular seemed to scent victory, or defeat, with unerring sagacity, and when they were buying or selling, it became a habit with brokers and operators in the secret to follow suit. The so-called Washington party was composed not only of the private bankers, and nearly all the bank officers, in the city, but of many influential members of both houses of Congress, lobbyists, clerks, and others, in the Government offices, with facilities for obtaining early war news, and a large floating population of army contractors, and speculators who had taken up their residence there for the purpose of getting early intelligence of important events, whence they telegraphed their orders to their brokers in Wall street. Every man in the War Department, and the Executive Mansion, who was so situated as to be able to communicate valuable information in advance of the newspaper dispatches, was approached by the gold operators, and in most instances an arrangement existed between the former and the latter, for mutual profit. The Washington newspaper correspondents were particularly active in gleaning and telegraphing news to Wall street houses, for use in the Gold Room; some of these men were paid by a salary from each firm that, in their own vernacular, they "kept posted," while others, and the majority, were compensated by the profits on purchases, or sales, of gold made on their account by the parties whom they thus informed. Almost every individual speculator in the Gold Room, whose transactions were large enough to make it of consequence, had a correspondent at the national capital, who sent him a telegraphic dispatch as occasion required. Sometimes information so communicated was of great advantage to speculators, but more frequently it had been "discounted" in the Gold Room before there was time to act upon it, owing to the same advices being simultaneously received by many others, or in consequence of news from one quarter being

neutralized by news from another, as well as owing to local speculative influences, such as determined efforts to "bull" or "bear" the market by large individual operators, or cliques, in which case the struggle between the contending elements would wax fierce and loud, and the Gold Room would present a howling mass of agitated forms and flashing eyes, suggestive of some of the scenes in Dante's "Inferno."

Immediately after the receipt of news of an unexpected victory, or defeat, the Babel of voices in the "Coal Hole" arrested the attention of passers-by in William street, and through the tremendous uproar and the confusion of sounds could be heard some voice louder than the rest, exclaiming, perhaps—"I'll give a half for a hundred—half for a hundred—five-eighths for a hundred." "Sold" would be the responsive cry of some one near, by which the initiated looker-on would know that a hundred thousand dollars in gold had been bought at a certain price of which the fraction was $\frac{5}{8}$, although no mention of thousand had been made in the transaction, the latter being the unit, and it being always tacitly understood that the number offered, or bid for, implied so many thousands, and that the fraction named was over and above the even figure last previously quoted. The sale in question, it may be assumed, was at $110\frac{5}{8}$.

"Ten at three-quarters," some seller would shout, with an energy that under other circumstances might have seemed to savor of desperation.

"Take 'em," would be the rejoinder of the buyer, and ten thousand at $110\frac{3}{4}$ accordingly changed hands.

Gold bought or sold thus was in the "regular way," namely, to be delivered on the next day, all transactions being so considered where no time was mentioned, such as "Buyer three," or "Seller three"—meaning so many days' option to deliver to the buyer or seller—or "cash," signifying deliverable on the same day. In dealings on the Stock Exchange, short options were and still are frequent, but in gold they have always been comparatively rare, the custom of borrowing from day to day to make deliveries when gold has been sold "short" being universal, and by the lending and borrowing system, contracts can be kept out for any length of time, as in the case of stocks.

Men and boys were, meanwhile, to be seen running in and out of the dingy basement, as if their lives depended upon the rapidity of their movements, and very soon there would be a grand chorus of bidders. "Twelve for fifty" from a dozen mouths, would be drowned by—"An eighth for fifty"—"a quarter for fifty"—"a half for fifty"—"three quarters for ten"—"thirteen for a hundred," the premium

mounting up as fast as the bids could be uttered. This was a sure indication of bad news for the Union from the seat of war, just as a pressure to sell at declining figures would have been significant of good news. But gigantic leaps in the gold market in a single day were unknown during the first two years of the suspension—although there were wide fluctuations in the spring of 1863—the popular expectation having been that the war would be a short one, and none were probably more sanguine as to its speedy termination than Mr. William H. Seward, whose sixty days predictions will long be remembered.

Sectional feeling often entered largely into the bull and bear contests in the Gold Room, and Union men and rebel sympathizers fought their battles sometimes, as much to gratify this as to make money. In days when the air was full of exciting war news, they would shriek, and wave their hats and their hands, and shake their fists, and cast savage glances at each other; and sing "John Brown" and "Dixie," and sway to and fro like demons preparing for combat. On such occasions, the scene seemed to be one of fury and turmoil, and it is not surprising that men sometimes came to blows in the heat of passion.

The active speculation in gold, coupled with its rapidly advancing premium, was denounced by the pulpit and the press, as the scandal of the time, and on the 18th of February 1863, the Legislature of the State of New York passed a law prohibiting any one from loaning more than par in currency on coin, or bullion; but this exerted no perceptible effect upon the course of the market for the precious metal. On the 3d of March 1863, Congress passed a bill to the same effect, now also imposing a strong tax of one half per cent., and six per cent. interest, on all contracts having more than three days to run, for the purchase or sale of gold or silver, or for loans on such. Gold fell from 171 to 139 before the close of the month, but rallied to 157 on the 1st of April. Wall street was then the scene of rampant speculation in stocks under the leadership of Anthony W. Morse, and borne up by the rising volume of the currency, every thing the bulls touched advanced rapidly. There was more money to be made by buying securities, than gold, and consequently speculation was diverted to a certain extent from the latter to the former. Moreover, the capture of Fort Wagner revived hopes of a speedy termination of the war, and hence the current of speculation was so far in favor of a fall in gold, that it touched the before quoted figure of 122 $\frac{1}{8}$ in August. After this the inflation of prices not only kept pace with, but outran the inflation of the currency, and gold rapidly

reacted upward. Americans became a nation of speculators. Cotton, breadstuffs, and provisions, were speculated in as freely as if they had been stocks, and the fact of their value, as measured by the currency, having been a constantly fluctuating one, fomented speculation, which so added to the uncertainties of legitimate business, as to invest trade itself with the risks of speculation. The Produce Exchange became, like the Stock Exchange, the theatre of active and extensive bull manipulations, and a prey to cliques. We heard at different times of parties controlling all the wheat, pork, butter, lard, rice, whiskey, and other commodities in the market, and occasionally of a "corner" in one or the other of these, just as we had become accustomed to hear of the sharp corners in Wall street. The cotton market was, at the same time, as much used as a gambling arena as the Gold Room.

This riotous speculation naturally fostered reckless extravagance, on the principle of "easy come, easy go," and a lavish and ostentatious style of living was in vogue among those enriched by the war, this being especially the case with those who had acquired wealth by army contracts, and oil wells in Pennsylvania. The "shoddy aristocracy" vied with the "petroleum aristocracy" in its display of diamonds, equipages, stately mansions, and "purple and fine linen," but the essence of vulgarity was discernible in both.

The *nouveau riche*, however, and speculators and speculation generally, suffered a heavy blow in April 1864, when Mr. Chase visited New York, and sold several millions of gold, and then retained their proceeds in the sub-treasury. The money market had been previously active at seven per cent., owing to the great demand for loans to carry forward the immense bull speculations in stocks, and this action of the Secretary of the Treasury—which was evidently designed for the purpose it accomplished—resulted in such extreme monetary stringency, that holders of blocks of speculative stocks were unable to carry them, and being forced to sell, a sweeping panic immediately followed, in which stocks declined from twenty to fifty per cent., and Morse and a number of his followers failed disastrously. This revulsion, although attended by a temporary decline of a few per cent. in gold, was quickly followed by an advance to higher figures than were previously current, the fluctuations of the month having been from 166½ at the opening to 184 near the close. Mr. Chase, further bent on breaking down the gold speculation, which he rightly regarded as a national evil, gave notice through the sub-treasury that greenbacks, at a fixed rate, to be announced from day to day, would be received in lieu of

gold for customs' duties. This created a flurry among the gold speculators, and large speculative sales for a decline were made, but after a few days' experience it was found that the price fixed by the Treasury failed to govern the Gold Room, the quotations there having advanced considerably beyond the government rate. Mr. Chase, too, saw that the public credit would suffer by a course that kept coin from flowing into the Treasury. The plan was therefore abandoned, and this being construed into a government defeat, the bulls availed themselves of the opportunity to rapidly run up the premium, much to the loss of the mercantile community, which was largely "short" of gold in anticipation of a heavy decline consequent on the cessation of the demand for duties.

Mr. Chase now advocated the abolition of the Gold Room, and the subject attracted much attention in Congress, the result being that on the 17th of June the celebrated Gold bill was passed—a law which took effect on the 21st of the same month. Thereupon the Gold Room was closed, and the importers who had favored the bill, chuckled at the prospect of cheap gold, while the unthinking portion of the public at large—the great majority—looked on expectant of a like result. But the effect of large issues of irredeemable paper was not thus easily to be legislated away, nor speculation in the gold value of those promises to be extinguished, by a mere enactment closing the regular market for the precious metal. The act in question made it unlawful to contract for the purchase or sale of coin or bullion, to be delivered on any other day than that on which the contract was entered into, or on any other terms than those of an actual delivery and payment in full for such in lawful money, or to sell any of the same unless already in the possession of the seller, or to borrow or loan currency on either; or to sell or buy gold other than at the ordinary place of business of the seller or purchaser. Foreign exchange was subjected to exactly the same regulations, excepting that ten days' contracts were permitted in it. All contracts made in violation of the act were declared void, and violators were to be held guilty of a misdemeanor, and punished with a fine of from one to ten thousand dollars for each offence, or imprisonment from three months to a year, or both.

The abolition of the Gold Room, involved in this unwise, not to say absurd law, was its worst feature, for it closed the door to competition among *bona fide* holders of coin, as well as among speculative sellers. The real holders of gold were thus isolated, and each individual of their number was free to ask whatever price he pleased for the metal. Every one naturally wanted the highest price obtainable, and there

began a rise faster than ever in the Gold Room. Those who had to pay customs' entries and foreign indebtedness became alarmed, and rushed to the offices of the bullion dealers in Wall street, to make their gold purchases at the going price, whatever that might be, fearing that it would soon be still higher. Those who had sold "short" were still more apprehensive of the future course of the premium, and in trying to "cover" their contracts accelerated the upward movement. No quotations for gold were made on the Stock Exchange, or on the street, and purchasers had to run from office to office, inquiring the price at which holders were willing to sell. Leading merchants and bankers, who had urged upon Congress this prohibitory legislation, now wrote and telegraphed to Washington, imploring the repeal of the Gold bill. The whole country was alarmed by the rocket-like ascent of the premium following its passage, and Congress, amazed and rebuked by the advance—gold having sold at 198 on the 20th of June, and at 250 before the end of the month—repealed the bill on the 2d of July, and the bears began to breathe a little more freely. Sunday, and "the Fourth" followed, and on the morning of the 5th, the Gold Room was re-opened; but the tug of war had yet to come. The bulls were prepared to twist the "shorts," and as the outstanding contracts for future delivery were large, they found it easy to control the floating supply of "cash" gold—that is the coin available for immediate delivery—and so force the bears to buy to make their deliveries, unless they preferred the alternative of borrowing at exorbitant rates each day, to keep their contracts good. The market was virtually cornered. The highest price on the 5th of July was 249. On the 6th, it had risen to 261 $\frac{1}{2}$, on the 7th to 273, on the 8th to 276 $\frac{1}{2}$. On the 9th it remained steady, and on Monday the 11th leaped up to 285. The bears quivered with rage and excitement, or abandoned the contest in despair. Gilpin's News Room, at the corner of William street and Exchange Place—to which the gold market had been removed before this from the Coal Hole—was turned into a scene of tumult, vociferation, agony, and disorder, that might be likened, for want of a better illustration, to Pandemonium. Men who were losing thousands every hour, or every minute, were there, shouting themselves hoarse, their hands uplifted and their eyes rolling in frenzy, while their countenances indicated that they were undergoing mental tortures colloquially described as equal to those of the damned. Others were there, emboldened by and wildly elated with their own success, and tempting fortune by testing their luck to the utmost, apparently believing with the poet, that—

“ He either fears his fate too much,
 Or his deserts are small,
Who dares not put it to the touch,
 To gain, or lose, it all.”

A surging, writhing mass of humanity shook the Gold Room, and the sound of many voices filled the air, while men with anxious and fevered faces rushed in and out of the clamorous confusion with a semi-frantic celerity such as might have been expected of them if their lives or fortunes had been dependent on the result of a moment. The din would rise and fall like the roar of a tempest, but every few minutes new men would rush in, and yell far above the storm, and then rush out again after executing their orders; and day after day the exciting drama of gold was repeated. Meanwhile the whole country looked on with apprehension. The “Corner”—for such it may be termed—culminated on the 11th of July, and after the Gold Room had closed on that day, private transactions took place at still higher figures than any chronicled during the regular hours of business, one of these, it was rumored, being at a price above 300. But although the market had reached “top,” it showed stubbornness in yielding. On the 19th of July, sales were made at $268\frac{1}{4}$, on the 6th of August at $261\frac{3}{4}$, and on the 2d of September at $254\frac{1}{2}$. By the end of that month, however, there was a decline to 191; yet so erratic was the course of speculation, that on the 9th of November the price touched 260 again. On that day General Sherman began his memorable and triumphant march through Georgia to the coast, and gold never afterward reached that altitude, but on the whole steadily declined, until it sold at 125 in March 1866, in consequence of the successes of the Union armies, culminating in the overthrow of the rebellion. This was a lower point than had been reached at any time since August 1863, and the extreme and rapid decline was as much due to speculation for a fall as the enormous advance to 285 had been owing to speculation for a rise. The loyal element was now in the ascendant in the Gold Room, where the rebel element had so long held sway, and where it was forced at last to speculate for a fall, or accept the alternative of ruin. As, however, gold values for commodities of all kinds declined with the premium on the precious metal, importers and merchants with large stocks of foreign or domestic merchandise, suffered heavy losses in consequence, just as they had previously made enormous profits by the rise in prices attending the upward movement of gold. Although resulting in no very serious commercial disturbance, this extreme decline produced much stagna-

tion of trade, and the business community became as anxious and impatient to witness an advance in gold, as they had been before to promote a fall. The market was largely "oversold," and in June it reacted to 167 $\frac{1}{4}$. The unsettlement of values produced by these fluctuations was much deplored by conservative traders, but was the life of speculation; and strictly legitimate trading was too slow and tame a way of making or losing money in the estimation of most men, during and for a year or two after the war, to be attractive. Games of hazard seemed to be preferred to moderate certainties, and it was not until Mr. McCulloch had persevered in contracting the currency for two years, that people sobered down after the prolonged intoxication produced by excessive paper money issues and gigantic war expenditures. Congress passed the bill authorizing this contraction early in April 1866, by which the total withdrawal of greenbacks during the six months following its passage was limited to ten millions, and the contraction after that time to four millions per month.

All who applied were admitted to Gilpin's News Room, to deal in gold, on payment of twenty-five dollars a year, and as regards light, air, and space, this place was a vast improvement upon the dingy Coal Hole. On the 14th of October 1864, the most prominent of the brokers and speculators in gold—who had been without any organization up to that time—met, after preliminary action, and adopted a constitution and by-laws, for the "New York Gold Exchange," and thereupon proceeded to the election of its officers—including a president and two vice-presidents, a secretary, and a treasurer—from among themselves.

On the 3d of March 1865, Congress passed an act—by which that of March 3, 1863, was virtually repealed—imposing a tax of one tenth of one per cent. on all sales, or contracts for the sale, of coin or bullion; and with this tax, as with the previous one if paid, brokers uniformly charged their customers, in addition to the usual commission of one eighth of one per cent. But after remaining in force several years, it, with the tax on sales generally, was abolished, and the traffic in gold was entirely freed from legislative interference. Soon after its organization, the Gold Exchange was removed from Gilpin's Room to the premises at the northeast corner of William and Beaver streets, previously occupied by the "Outside Board," which subsequently became the "Open Board" of Stock-Brokers. There speculation was conducted in the same rampant manner as before, and the gold gamblers, not content with operating all day down-town, speculated until late every night up-town at the Evening

Exchange—a Wall Street excrescence of the times, which was happily uprooted by the action of the Regular and Open Stock Boards, on the 24th of August 1865, prohibiting the attendance of their members there; and to this course the Gold Exchange also conformed on the following morning.

From the ranks of demoralized speculators at this night haunt, men had emerged branded with crime, like a member of an old and extensive banking house, who forged a million and a half of gold certificates of the Bank of New York, and lost their proceeds, after having made and lost—according to his own statement—six millions of profits. At the time these forgeries were committed, deliveries of gold were commonly made by such certificates, issued against the deposit of coin by dealers, an arrangement having been completed with the bank referred to for this purpose, in consequence of the risks and losses attendant upon the old method of delivering the coin in bags, the messengers employed being usually boys, as in the case of stock deliveries. The messengers had in several instances been robbed in the open street, and in others, had themselves decamped, or tried to decamp, with the coin, while dishonesty crept into the practice in other ways. The canvas bags were marked with the amount of their contents, but on counting the latter, it was a not uncommon experience to find one or more coins missing, or to detect a few spurious pieces in their midst, or even lumps of lead, which had been added to make up deficiencies of weight caused by the surreptitious extraction of gold. As the Bank of New York gold certificates were declared by the Gold Exchange to be “a good delivery,” they passed from hand to hand, and were held with as much confidence as gold itself, and hence it was that the criminal mentioned was enabled to hypothecate them in Wall Street as collateral for loans without exciting suspicion, for they were mere gold checks drawn by the dealers having gold accounts with the bank, in the same manner as they would have written out an ordinary currency check, and certified by the bank.

The discovery of these forgeries in August 1865, naturally caused the gold checks to be distrusted, and the Gold Exchange in casting about for a surer means of facilitating the exchanges between brokers, hit upon the expedient of establishing the Gold Exchange Bank as a clearing-house. The rule of the latter, and also of the Gold Room, is that all dealers must hand in, before half past-twelve, daily, a list of the parties to whom they have to deliver, and from whom they have to receive gold, respectively, with a statement of the amounts, and

their checks for the differences against them, if there be any, and when the differences are in their favor, the bank by two o'clock—prior to which hour all the exchanges are made—gives its checks for these, and the business of the bank for the day may then be considered over.

From the William street corner, the Gold Room was removed in August 1865, to the more commodious premises it has since occupied in New street, where the familiar indicator—showing the quotation, and denoting every change in it—looked out from one of its windows as it had previously done on Beaver street, and Exchange Place.

By this time, however, the speedy termination of the war was foreseen, and Chancellorsville, Shiloh, Donelson, Seven Pines, and the Wilderness, had passed into history. The wild fluctuations with which the country had become familiar, were not to continue. Fortunes could no longer be as easily made or lost in a day, in the Gold Room as before, and the great tide of speculation rolled on with a more even flow. The financial panic of 1866 in London had, however, some influence in disturbing it, after the excitement consequent on Lee's surrender and the capture of Mr. Davis passed away. It had been the policy of Mr. McCulloch, as it has been that of his successors, to sell some of the surplus gold at frequent intervals, but at that time the sales were made privately, and generally through one man, who thus became known as the Government broker. In consequence of the panic, those indebted to Europe, and particularly the American correspondents of European houses with cash balances here, were instructed to make immediate remittances in gold, and their purchases gave a strong upward tendency to the premium. It afterwards transpired that the broker in question had an order to sell all the gold the market would take at 130, and fresh and more unfavorable news from England having arrived late in the afternoon of the 22d of May, the price leaped above the Treasury limit, and the broker indiscreetly supplied the demand to a multitude of greedy bidders who fought desperately to get as much of what he sold as possible. More than thirty millions were thus disposed of before the broker in question retired from the scene that evening, a piece of Treasury mismanagement—to speak mildly—which not only unduly depleted the Government coin reserve for the benefit of the London money market, but gave the Treasury a much lower price for the gold than it could have obtained by selling gradually, for on the following day gold sold at 138 $\frac{1}{2}$, on the second day afterwards, at 141 $\frac{1}{2}$, and three weeks later—on the 16th of June—at 160. But for this

heavy sale of gold, and its consequent immediate shipment to England, the panic there would probably have been much more disastrous than it actually was.

The price of gold has always been very sensitive to foreign news of a disturbing character, whether political or financial, owing to the large amount of American securities held in Europe, the sympathy of the premium with the foreign Exchange Market, and the immense influence that war, to which the United States might be a party, would exert upon it. Every change in the Bank of England rate of discount has its effect in raising or lowering the rate of exchange for sterling at "short sight" here, and indirectly in affecting the price of gold. Hence, unscrupulous speculators have often concocted false cable despatches, and circulated false rumors in relation to foreign affairs, for the purpose of misleading others, and so influencing the premium. The same has likewise been frequently done by similarly disreputable persons on the Stock Exchange, to influence prices there. While Louis Napoleon was on the French throne, the state of his health was the source of a good many false reports, and "the Man of December" died many deaths in the Gold Room, before war finally left him—a ruler no more—to expire in exile. The effect of conflicting war news of importance during the rebellion may be imagined from the considerable fluctuations which were caused by such minor matters as these spurious European despatches. There was nothing, either at home or abroad, which the most unscrupulous of the gold operators held sacred, when it could be used or misrepresented to answer a temporary speculative purpose, and this is still the case to a certain extent; but the fluctuations being slight compared with what they had been, the inducement to manufacture false reports was correspondingly less. Most of the members of the Gold Exchange—numbering, in 1874, about four hundred and sixty—are also members of the Stock Exchange, or of firms represented there, and the slang phrases of the street are as much in vogue in the one place as the other.

From 1866 to 1874 the history of the Gold Room would have been monotonous—excepting a brief flurry at the beginning of the Franco-Prussian war in July 1870, which carried the premium up to $122\frac{3}{4}$, and a decline following the crisis, in November 1873, to $6\frac{1}{4}$ —but for the remembrance of Black Friday. The day thus distinguished was the 24th of September 1869, and it witnessed a rise in gold from $144\frac{1}{4}$ on the previous evening, to $162\frac{1}{4}$ before noon, when the attempted "corner" collapsed, engulfing the conspirators who had engineered

it in difficulties which would have ruined any men but those who had control of the Erie Railway, and a corrupt judiciary; and early in the afternoon the price declined to $131\frac{1}{2}$. The Gold Exchange Bank failing to make its clearings, and business, as a consequence was brought to a stand in the Gold Room, while a violent panic raged on the Stock Exchange, produced by the distrust, and monetary stringency, growing out of the dead-lock in gold. The Gold Room was closed from the morning of the 25th of September to the 5th of October, when it was re-opened to transactions in the clearing house, but it was not until the 21st of October that the deferred clearings in the Gold Bank were made, so that the receiver in charge was enabled to declare his first dividend to its creditors. It was then announced that \$310,000 of its \$500,000 capital had been lost in addition to its surplus of \$360,000, but a proposition was made to convert it into a clearing house only, and this having been accepted by the Gold Room, it was re-opened as such on the 22d of the following November, and has since suffered no interruption of its business. As the details of this conspiracy, and the disasters attending it, would require the space usually devoted to an entire article, we are precluded from giving them a place in the present paper; but as one of the great events in the history of Wall street, Black Friday will never be forgotten.

The history of the Gold Room furnishes a commentary on that of the United States since the beginning of the present era of irredeemable currency, which is not without value; but much of it will never be written, although it entered into the daily life of the people, and while exerting an influence coextensive with the nation itself, passed away unrecorded. It is to be found in isolated fragments engraved on the tablets of human memory in hundreds of thousands of individual instances, where the fortunes of men were directly or indirectly materially affected by it, and as they die it dies with them, reminding us that all written history must of necessity be imperfect.

Every lover of his country should earnestly desire to see the day when the Gold Room will have become a thing of the past, and United States notes be equivalent to gold—the money of the world. And for that consummation let us all devoutly labor and pray.

THE NEW YORK STOCK EXCHANGE.

ON Saturday, the 20th of September, 1873, to arrest the panic of that year, the New York Stock Exchange was suddenly closed by an order of the governing committee. This action, influenced by the solicitations of the banks, which were in danger of being engulfed in the rising tide of ruin, was without a precedent in this country, although the recollection of a like occurrence in a similar emergency in Vienna, was fresh in the public mind. There were men then who shook their heads gravely as they made their comments on the unexampled and arbitrary proceeding; and said to each other, "To what are we coming!" as if they saw in it an indication of the approaching downfall of free institutions in America. But as the Stock Exchange continued closed day after day, until the morning of Tuesday the 30th of that month; and the wild feeling of panic gradually subsided into a settled but anxious calm, opinions were modified, and after it had quietly re-opened, men began to think that it was well the panic had been throttled even by the use of arbitrary measures. History repeats itself, and in August, 1875, we find the San Francisco Stock Exchange, in the midst of a similar panic, produced by the failure of the Bank of California and two other large banking institutions in the metropolis of the Pacific slope, pursuing the same course, and with a similarly sedative effect.

These events of themselves furnish a suggestive commentary on the financial operations and general condition of affairs that produced them, and are pregnant with both a warning and a moral which those who run may read. Both the New York panic of 1873, and the San Francisco panic of 1875 were almost purely of a financial, as distinguished from a commercial character. To be sure they differed immensely in extent, owing to the locality of their origin; the former extending its influence all over the country, California excepted, by means of the banks and private bankers, and the latter being entirely confined to that and the neighboring State of Nevada. California has never swerved from the specie standard, greenbacks being simply bought and sold there at a discount, and not entering into the circu-

lation. Thus it is isolated financially as well as geographically from the country east of the Rocky Mountains, whither the effects of the Pacific convulsion do not extend.

The immediate cause of the crisis of 1873, and of this crisis in California, may be traced to a similar origin in the reckless speculations of bankers, with the money of depositors, in railway or other stocks of uncertain or fictitious value.

To this "big bonanza" style of banking may also be attributed the collapse, at the time of the great crisis, and more recently, of some of the best known of the houses accustomed to paying high rates of interest on deposits. The pretended ability of such houses to undertake mammoth speculations entirely beyond the sphere of legitimate banking, was based neither upon their own wealth, nor any other honest foundations. The disastrous failures of such houses—rendered inevitable by the hazards involved—have inflicted upon the private banking business a retributive blow, from which it will be slow in recovering.

If it be true that like causes produce like effects, we may expect to see, to a modified extent, a financial depression in California similar to that which has been experienced in the Atlantic States since the summer of 1873. California alone has, until now, seemed to be enjoying undiminished prosperity. The profits of trade elsewhere have dwindled into insignificance in comparison with those of war times, or given place to balances on the opposite side of the ledger, and most men have found their capital gradually shrinking. Enforced economy has been practiced from Maine to Texas, and when more than forty millions of people simultaneously and persistently economize, the effect on wholesale and retail trade must necessarily be prodigious.

The shrinkage of trade, values, and capital, as the result of the various causes alluded to, has proved a trying ordeal for all, and to many it has involved an entire exhaustion of resources. Hence commercial failures have been numerous, for with heavy expenses and light receipts endurance has its limits. Real estate, usually the last to yield, and the least mercurial of all investments, has suffered severely, in common with all other material interests, and the owners of heavily mortgaged property have in very numerous instances been unable to pay the interest on their mortgages, much less to replace them at expiration. Foreclosures have been the result, and lands and buildings have been sacrificed at auction for half, and sometimes even a quarter their value before the crisis. The foreclosure suits begun in New York city alone have averaged about

five per day for months together, and the property sold has been almost invariably bought by the mortgagees for the amount of the mortgages, or less; in the latter case the unfortunate mortgagors being sometimes harassed with judgments for deficiency.

Business on the Stock Exchange has meanwhile languished for want of the support of the outside public, as people who would otherwise have dabbled in stocks, have been too poor to do so, and so have regarded speculation as a forbidden luxury. There has, however, been a steady demand, at advancing prices, for "Governments" and first-class railway bonds; but inferior securities of all kinds have been studiously neglected. Never in the history of Wall street have investors shown a greater distrust of values, and never have stocks been subjected to closer scrutiny than during the last two years. That large numbers have preferred to allow their capital to remain idle rather than to invest it in any manner, has been rendered constantly apparent by the unusually heavy accumulations of deposits in the New York banks, and by the low rates of interest prevailing; loans on call having been generally made at two per cent. on United States bonds and other first-class collaterals.

But the most prolonged stagnation must eventually be superseded by activity; and just as action follows reaction, depression must be followed by buoyancy. The wildest speculations for a rise, not only in this country, but in England, France, Germany, and elsewhere, including the South Sea bubble in the country first named, and the Tulip mania in Holland, have always succeeded periods of distrust, inertia, and unduly depreciated values. That which has been will be, and those who are now afraid to invest at low, will be eager to invest at much higher, prices. It is the way of the world. Example is contagious, and men buy or sell, or stand aloof when they see others doing the same thing. In controlling the popular mind in this respect, and in their relations to financial interests generally, no men in the country are possessed of greater influence than the members of the New York Stock Exchange; and in view of the importance of the position it has held, and is likely to hold, in the respects indicated, we purpose to present some statements in regard to the history and character of this institution.

The Stock Exchange is little less than a mystery to the uninitiated, but many, who are familiar with it to their cost, see in the stately marble building on Broad street, a whitened sepulchre in which their fortunes lie buried, and whose capacity for swallowing fresh fortunes is as unlimited as that of the deep for ships. A treacherous sea is

that of Wall street, and hard indeed to navigate, if the mariner would escape the fate of the wrecks that too often line its shores. Navigators, it is true, have boldly launched their galleys on its tide, and after a successful career of freebooting, brought again and again into port a rich harvest of spoils, only in the end, however, to have their glittering prizes filched away from them in the contests that are there waged pretty much as they were in mediæval times, when the Mediterranean and the Adriatic were the scenes of action ; and every merchantman fought, armed like a corsair, its way from port to port, often through a series of hand-to-hand combats with prowling buccaneers. The sea of Wall street is as full of peril to adventurers as were the waters of Venice and Genoa ; of Spain, Portugal, or France; in the days when the feuds of state combined with the lust of plunder to make navigation an exciting, hazardous, and warlike pursuit.

The modern pirates infesting this financial highway, are rich and unscrupulous speculators, colloquially called "big fish," whose object is to devour as much of each other, and as many of the little fish as possible. It is satisfactory to reflect that the righteous retribution referred to overtakes them in the end, and that after catching the many, they are themselves caught. But while these great freebooters are in the zenith of their glory and prosperity, they are looked upon as the winners of the prize for which all who tempt fortune by speculation on the Stock Exchange, are striving—wealth. One example of success lures thousands to their ruin ; for the multitude forget that the instances where men have made large or small fortunes by speculation on the Stock Exchange, and succeeded in keeping them, are rare ; and that the leaders of the "street" enjoy only transient renown, invariably coming to grief sooner or later, unless death interrupts them in their course. History in Wall street, as in the world at large, is always repeating itself, and the chief pirate of to-day will to-morrow become the prey of his own wiles, and disappear like a bubble that has burst.

Failure has been the final result of every prolonged effort to control the stock market, for it is an unknown quantity which no man can measure, and he who undertakes to make it subservient to his own interests and operations will inevitably be engulfed in ruin if he tries his luck long enough, however great his wealth may be ; and though his shrewdness and courage never fail him. This is one of the teachings of Wall street experience ; yet there are few men who, when once successful, can resist the tendency to believe in themselves ; so, having done much they place unlimited confidence in their ability

to do more, and lose all. They are crushed by the power they undertake to guide, for the stock market is open to the world, and liable at any time to be governed by a variety of influences beyond individual control; some, affecting the value of particular securities only; and others, strengthening or weakening confidence in securities generally.

The great speculators on the Stock Exchange have converted into a gambling arena that which was designed for legitimate uses, although speculation is, of course, inevitable in stocks of fluctuating market value; and the larger the amount of any particular stock there is in Wall street, the more its price will be found to fluctuate; not because of any changes occurring in its real value, but because speculation is more active in stocks that are abundant than in those that are scarce. It is not uncommon for dividend-paying railway, and other shares, to rise or fall from two to five per cent. in a single day, under speculative sales or purchases made entirely without regard to the question of real values. The more a stock is withdrawn from Wall street for investment, the less active it is likely to become, until finally it ceases to be dealt in on the street, and the transactions in it are confined to investors. Such is the case with Illinois Central, Michigan Central, Cleveland and Pittsburgh, and other well-known railway stocks which were once among the speculative favorites of the Stock Exchange.

It is a noteworthy fact in this connection, that the more speculative a stock is—in other words, the more it is held in Wall street—the more corrupt the management of the property it represents is likely to become, and *vice versa*. The managing directors of railways whose stocks are the footballs of speculation, are notorious speculators who grow rich by so managing, or mismanaging, the affairs of their respective corporations, as to divert much that properly belongs to the stockholders into their own pockets; raising or depressing the market value of their shares, thus to favor their own speculations. Instead of giving out contracts to the lowest bidders, they have been known to award them indirectly to themselves at exorbitant rates, and when branch lines were to be constructed, they have formed "rings" to build them, and afterward turned them over to their companies at a profit to themselves of from twenty-five to a hundred per cent. on the actual cost. Yet none of them would acknowledge that in so doing they were swindling their stockholders. When they see fit to "bull" their own stocks—that is, to operate in them for a rise, they show an aptitude for painting everything connected with them *couleur de rose*; and whether dividends have been earned or not, they are more than

likely to declare them, even if the money for the purpose has to be borrowed. If, on the other hand, they see a good opportunity for a "bear" campaign, they sell their own stocks largely "short," and then try to depress them by all the means at their command. The earnings which in a "bull" movement would have been so "cooked" as to show an increase over the previous year, are made to show a large decrease; expenses for new rolling stock, and improvements of the permanent way—to use the English phrase—are needlessly incurred to an extravagant extent; the floating debts are swelled to unusual dimensions; acceptances are freely given out which are soon offered for discount, and perhaps some of these floating obligations are allowed to go to protest, in order to injure the credit of the companies concerned. To cap the climax, dividends are passed—that is to say not declared, and all sorts of evil predictions are set afloat as to the future, just as during a "bull" movement prophesies would be hazarded of a rise twenty or thirty per cent. greater than was expected.

Meanwhile the innocent stockholders, whose interests these directors were ostensibly elected to protect, suffer heavy losses by depreciation of their property; for of course stocks never fail to respond to these "inside" manipulations. The directors are, under these circumstances, in the course of time enabled to "cover" their "short" contracts at a splendid profit, and at the same time buy largely at the lowest figures for a fresh rise, when the tactics before described are repeated, and the stocks that were reported to have been selling far above their value, are pointed out as the best purchases on the list. Such is the consistency and morality of many of the speculative railway directors who ignore their trusts, and make a practice of treating the roads they manage as if they were their own private property; and who, worse than all, can do these things with impunity, for practically, so far as plundering the stockholders is concerned, they seem to be a law unto themselves. There are some honest men, even among the directors of corporations controlled by knaves, but they are merely respectable dummies, without a proper sense of their own responsibility, or they would refuse to act with corrupt executive officers when their corruption is as notorious as in the case of several prominent corporations whose shares are dealt in on the Stock Exchange. The time will probably come, however, and the sooner the better, when laws will be passed and enforced, either by Congress or all of the States, for the punishment of frauds upon stockholders by directors, and disqualifying for office those detected in selling their

company's stock "short," with the obvious intention to depreciate its market value.

It is a well known fact that the railways whose stocks have been taken out of Wall street by investors, are much more honestly and efficiently managed than they were before this change took place, owing to the fact that inducements to mismanage them for speculative effect on the Stock Exchange have passed away. Moreover, railways and other properties whose stocks have been absorbed by investors, attract a different class of men to their direction. The rich and desperate speculators of Wall street fight only for the control of companies whose shares are active on the speculative list, and which they can manipulate pretty much as they please after once securing management. They find it an easy matter to vote themselves in, and to keep themselves in afterward, provided they have the necessary cash for controlling a majority of the capital stock at the time the transfer books close, preparatory to the annual election. Immediately after, they can sell the whole of their holdings, if they choose, without impairing their right to vote on the stock thus transferred to their own names, or to the names of those whose proxies they hold. Properties that are held for investment exclusively, can not be bought up and sold out in this convenient manner, and the real stockholders, as distinguished from the temporary speculative holders, have the control of the management in their own hands. Hence the Wall street speculators, who mismanage a number of large corporations there represented, can not secure a majority of the stock of these investment properties; and, if they could, would be unable to make money out of them in Wall street. They make no attempt, therefore, to vote themselves into power in such quarters, and the happy stockholders continue to draw dividends, which they would probably fail to receive if they were left to the tender mercies of corrupt speculative directors.

One prominent and honorable exception to the rule of rascality in the management of railways represented by speculative stocks in Wall street is, however, to be found in the companies controlled by an executive whose object has always been to improve the properties under his direction, and who, whatever his faults may be in the parsimonious treatment of the traveling public, has never been known to sell "short" a stock in which he was interested. He has proved that honesty is the best policy, apart from any nobler motive; for having invested his wealth in the corporations he manages, he has reaped his reward both in dividends and the large advance in prices that has taken place under his *régime*. The price and stability of New York

Central and Hudson stock, notwithstanding its enormous "waterings" for the benefit of stockholders, furnishes a sufficient commentary on the difference between his management and that of the average speculative director, who is no more fit to be the custodian of other people's property, than a footpad is to be the cashier of a bank.

We have dwelt thus much on this subject because the transactions in railway securities form nine-tenths of the daily business of the Stock Exchange, the only prominent speculative stocks not included in the railway list being Western Union Telegraph, and Pacific Mail; and it is well that the reader unfamiliar with the inside workings of Wall street, should be made aware of the influences to which they are subjected by the director of the period.

The Stock Exchange is of such recent origin in New York that some of its original members are still living to tell of the time when they gathered under a sycamore tree in Wall street, opposite the Tontine coffee-house, between William and Hanover streets, to deal in such United States stocks and miscellaneous securities as then existed. It was not until the year 1817 that the stockbrokers' business had developed sufficiently to make it an object for the few gentlemen who met once or twice a day under the tree—or in the coffee-house if the weather was unpropitious—to devote to it their whole time, which in most instances they had previously divided between that and other occupations. Then they took up their quarters in the office of Samuel Beebe, one of their number, and resolved to organize themselves into a board of brokers; to that end they deputed Mr. William Lawton, also one of the fraternity, and still a surviving member, to proceed to Philadelphia, which already had a stock exchange, and there gather such particulars concerning the latter, and its rules and regulations, as would enable them to act the more intelligently in drawing up articles of association, and by-laws, for their own government. The mission was accomplished, and the board was organized immediately thereafter on the basis of that of Philadelphia, its first constitution bearing date the same year, 1817. The earliest record of the New York stockbrokers, however, is a document dated the 17th of May, 1792, now in the possession of the Stock Exchange, and signed by the few brokers of that day, in which they agreed not to buy or sell stocks on commission for less than one quarter of one per cent., showing conclusively that the existence of stock brokerage preceded by more than a quarter of a century that of the organization of the brokers into a guild.

It is probable that the first dealings in Wall street, aside from real

estate, were in the old Continental money of the Revolution, before it had gone the way of the French assignats by depreciating in value to that of the rags from which it was made; but not even tradition remains to tell of the doings of the earliest money-changers within its limits. Until the war of 1812, however, there was doubtless little for stockbrokers to do; but then the United States government issued bonds and Treasury notes, while new banks were established, and trade and speculation became more active than at any previous period in American history.

The annual dues of the New Board of Brokers, as it was called, were twenty-five dollars, and its transactions were at first confined almost entirely to United States bank stock, United States sixes, and foreign exchange. By 1825 the initiation fee had been advanced to a hundred dollars, and by degrees this was further increased to three thousand, at which it stood in 1865; clerks who had served two years or more being, however, admitted for half the regular fee.

The Board of Brokers changed its quarters from room to room in Wall street, in the vicinity of William street, several times subsequently to its organization; and then into William street where the Custom-house now stands, before it removed, in 1855, to "Change Alley," between Exchange Place and Beaver street, where it was found at the beginning of the war in 1861. Not until that time did the New York Stock Exchange loom up into great national importance, although its business had been steadily increasing from year to year, since the time of its organization, owing to the increasing volume of the securities of the country. Notwithstanding the fact that the Stock Exchange was of such recent origin, the development of railway interests was more recent still. The first sixty-nine miles—from Baltimore to the Point of Rocks, of the first road built in the United States, the Baltimore and Ohio begun in 1828—were not completed and opened until 1832; and as line after line was projected and laid, their stocks and bonds found their way to Wall street, and became things of speculation.

The war of the rebellion brought to the Stock Exchange an immense accession of business, both in the enormous amount of United States and State securities it created; and in the tremendous impetus it gave to speculation in stocks of all kinds, one result of which was the establishment of an opposition organization, more in accordance with the popular taste and requirements, and known as the Open Board. But notwithstanding this competition the old board grew stronger and richer, and built for itself the costly marble structure it occupies to-day, and, after moving into it, on the 9th of December, 1865, amalgamated with

its successful rival. This occurred suddenly, on the 8th of May, 1869, when the Open Board, which had done more business by far than the Regular Board, became a thing of the past, and about six hundred new members were added to the Stock Exchange, swelling the aggregate number to a little more than a thousand, at which it still stands. Shortly afterward, the board voted that the price of membership should be raised to ten thousand dollars, but that any member might sell his seat for any sum he pleased, and the buyer, if acceptable to the examining committee, should be admitted in his stead on payment of an initiation fee of five hundred dollars ; and since that time the price of seats has varied from twenty-three hundred to nearly eight thousand dollars, the average having been about four thousand. If a member become insolvent, and fail to settle with his creditors, his seat is sold after the lapse of a year, for their benefit ; and if he die insolvent the rule is the same ; otherwise at his death his legal representatives are entitled to the proceeds of the sale of his seat at the best price the secretary can obtain, and also to receive ten thousand dollars in cash from the life assurance fund ; the Stock Exchange having adopted, in 1873, a plan by which the life of each of its members is insured for the amount mentioned, and in order to provide for which every member is taxed ten dollars whenever a death occurs in the membership.* This is a wise provision, in view of the financial vicissitudes of a stockbroker's life, and the improvidence of brokers as a class ; for it has often happened that members have died, leaving their families destitute, and appeals have been made to the board for subscriptions to defray their funeral expenses, and to relieve the urgent wants of widows and children left to the charity of the world.

The Stock Exchange, under its present constitution, adopted in 1869, is managed by a governing committee of forty members, in addition to its president, treasurer, and secretary, who are members *ex officio*. These are chosen by ballot, and divided into four classes of equal number, the first class being elected to serve one year, the second two years, the third three years, and the fourth four years—an arrangement which involves the election of ten new members annually on the second Monday in May. This governing committee appoints from its own members ten standing committees, namely : on Finance, Arrangements, Admissions, Securities, United States Bonds, the Stock List, Arbitration, Law, Printing, and Commissions :

* In order to ultimately relieve the members from this tax, a Gratuity Fund has been established, by which this benevolent system is expected to become self-supporting after the year 1886.

to each of which, according to its character, the business of the exchange is appropriately referred, except such as comes before the governing committee as a body; and the latter meet as often as the necessity arises.

The office of the President of the Exchange is honorary, but the chairman, vice-chairman, treasurer, secretary, and roll-keeper are salaried officers, whose pay is sufficiently good to exceed the incomes of a majority of their fellow-members, and to make them reconciled to their lot. The duty of the chairman, who receives \$7,000 per annum, is to preside over the Board during the regular hours of business, namely, from ten to three o'clock; to call stocks twice a day, at half-past ten, and at one o'clock; to maintain order and enforce the rules, which functions, in his absence, devolve upon the vice-chairman, who receives \$5,000 per annum. The calls of securities in the government and bond department, also devolve on these officers. Both government, State, and bank stocks, and railway bonds, are dealt in, in a room on the floor above that devoted to the railway shares and other speculative stocks. United States securities are "called" there three times a day, namely, at 10.15 and 11.30 A. M. and 2 P. M., while State and railway bonds and bank stocks are called immediately after the second call of governments, about noon, and State stocks again after governments at two P. M., at which time any broker wishing to deal in railway bonds or bank stocks, can call up any particular one of these he wishes to buy or sell.

This leaves the hall, or Long Room on the ground floor—where the real business of the Exchange is done—exclusively to those dealing in railway and miscellaneous shares. The latter apartment is a large parallelogram with a very high ceiling, and long windows looking out on New street, although it has entrances not only from this thoroughfare, but from both Broad and Wall streets. It is unfurnished, with the exception of a dais at the Wall street end for the presiding officers. It has an upper gallery for strangers; a place railed off for those who pay a hundred dollars a year for the privilege of seeing the market, and of communicating with their brokers on the floor; and telegraphic stock indicators which report the transactions—the same as those found in every broker's office, and for the use of which a dollar a day is charged, exclusive of the original cost of the instrument, a hundred dollars. And in the business of telegraphing stock quotations there are at present two rival companies engaged, both industriously gleaning the transactions from members in the room as fast as they are made, and dispatching them over the wires almost instantaneously.

The entrance of the Stock Exchange on Broad street, leads into a spacious ante-room provided on each side with seats, and the members, with those referred to as paying a hundred dollars, are alone permitted to occupy them. The Long Room itself occupies only a small part of the spacious building, whose upper floors are devoted to committee rooms, and other apartments, including that in which "governments" and bonds are called; and whose basement is honey-combed with fire-proof receptacles for the valuables of brokers and others, who daily about three P. M., flock, with boxes more or less full of securities, to the safe deposit department of the Stock Exchange, often accompanied by protecting clerks to guard against the felonious appropriation of their treasures by lurking thieves.

Originally the Board Room in this new building was on the second floor, where the Government and bond department now is; the lower floor was then given up to the members of the Open Board, and others who paid a hundred dollars a year for admission, with the privilege of dealing there among themselves. Hence, there were two markets for stocks open under the one roof simultaneously—the Regular Board and the Long Room—the great bulk of the business being done in the latter by members of the opposition board. After the union of the two organizations, to accommodate the augmented numbers, extensive alterations were made at great expense, resulting in the present arrangements. There is now no outside market for stocks, the business being transacted exclusively between members of the Exchange in the appointed places. Neither is there any crowding of the members from the Stock Exchange building to the street, after five P. M. as was formerly the custom, the market being afterward kept open in Broad street till six o'clock in the evening. The sensible rule of confining business to the hours between ten and three has worked well,* and is an immense improvement upon the old war-time habit of opening the market at about nine A. M. and closing it at about six P. M., only to re-open it at eight P. M., at the evening exchange up-town, to continue in the midst of feverish excitement till within an hour or two of midnight. The life that stock and gold brokers led then was slow suicide, and not very slow either, to some of them.

The Evening Exchange indeed did much to foster reckless speculation and its final abolition in August, 1865, by a vote of both the Stock Exchange and Gold Board, was almost a cause for public rejoicing, so much had the business transacted there degenerated into mere gambling. Within its precincts at the Fifth Avenue Hotel, and

* A fine of \$50 is imposed for dealing in securities outside these hours.

afterward at the corner of Broadway and Twenty-third street, before its removal to what proved to be its tomb, in Twenty-fourth street, spirituous liquors were dispensed from a bar which did a thriving business, and paved the way to the physical, mental, and financial ruin of its patrons. Men under the influence of the stimulants imbibed often bid for or offered stocks or gold in the most reckless manner, and awoke the next morning to find that they had made contracts which they would certainly not have entered into except in the feverish excitement of the hour. Brokers and speculators seemed to have no time for sleep, and burned the candle of life at both ends in dissipation and eager worship of Mammon. Gold often fluctuated from five to ten per cent. in a day, and stocks experienced similar eccentric movements. Demoralized by such surroundings, and venturing beyond their depth, men frequently found themselves hopelessly ruined. In such a hot-bed of vice, extravagance, and fraud, men had few aspirations toward pure and noble lives. The acquisition of lucre seemed the end and aim of existence, and from their midst forgers and defaulters emerged from time to time, as if to warn others who were treading in their footsteps of the dangers of the way. All members are now required to have a place of business, besides the Stock Exchange, where comparisons of sales and purchases of stocks may be made; and are prohibited from entering into partnership with those under suspension, or other insolvent persons. Although they may sell "privileges" to receive or deliver stocks in all their forms—namely, "puts," "calls," "spreads," and "straddles," no offer to buy or sell them is allowed to be made publicly at the Exchange.

These privileges are usually sold by large speculators and speculative brokers for a certain percentage, generally one per cent. for puts and calls, and two or three per cent. for the two last mentioned, for thirty days, and if the bankers fail to honor them, either through fraudulent intent or accidental failure, they prove "a delusion and a snare" of a costly character, for not only has the amount paid for them—ranging from one to three hundred dollars for each hundred shares—been thrown away in that case, but stock may have been bought or sold against them, involving heavy losses. They are useful as an insurance against unlimited loss, but those who buy them generally fail to make half as much out of them as they have to pay for them, and it is little better than squandering money to invest it on their purchase, whereas it is commonly very profitable to make and sell them, but panics and other unlooked-for events occasionally occur

which make privileges very valuable to the holders and correspondingly unprofitable to the makers.

"A "put" confers the privilege on the bearer of delivering to the maker a certain number of shares of a certain stock within a certain time, and a "call" entitles the holder to receive in the same way. A "straddle" gives the holder the option of either receiving or delivering at a certain price, and the only difference between this and a "spread," is that the market price at the time of purchase is the one invariably filled into the latter, while the price in the former may vary much or little from it according to agreement or otherwise.

Some of the cant terms of Wall street are incomprehensible jargon to those who have never taken "a flyer,"—or made a speculative operation in stocks; but there are few unaware that a "bull" is a speculator for a rise, while a "bear" is one for a fall in price, and that when a stock is "cornered," the whole of it is held in the grip of a bull clique that refuses to sell any except at its own price, which is always a very high one. Cornering operations are always very hazardous, and generally losing speculations to the parties engaged in them, and they are never undertaken except where there is an unusually large "short" interest to be entrapped. The process of "squeezing the shorts" then becomes both severe and interesting, and the bears are bled and slaughtered remorselessly until they have all bought in to "cover their shorts," or in other words, closed their contracts, when the cornerers are left with the cornered stocks on hand, which both the street and the outside public are signally afraid of touching for a very long time afterward, thus leaving the entire burden to be borne by the bulls concerned.

Cliques and large speculators are said to "milk the street" when they make prices perform a see-saw movement up and down, to deceive operators, and stocks are "washed" when corresponding sales and purchases, called "washes," are made to influence prices and make the market artificially active in order to induce operations by others. They are "watered" when their amount is increased, as, for instance, by stock dividends—the eighty per cent. of scrip issued by the New York Central and Hudson River Railway Company at the time of the consolidation in December, 1868, being a case in point. They are "carried" when they are held by a broker on speculative account, and they are called "collaterals" when money is borrowed upon them; and they are described as "traps," when of little or no value.

A "bull" sells only "long stock," just as a "bear" sells only

"short stock," and when the latter buys it is only to deliver against previous sales, or to return borrowed stock. A "pool" embraces the funds of a combination of individuals formed to carry out some speculative object, and "a leak in the pool" expresses that some one belonging to it is privately operating in bad faith outside of it for his own advantage at the expense of his associates. A "point" is a piece of confidential information, generally to buy or sell a particular stock, and as points are frequently given out from interested motives, it is prudent to turn a deaf ear to them except when coming from an unquestioned source, for many a speculator has had his margin exhausted, and been "sold out" by his broker in consequence of putting faith in them. A number of other words and phrases might be quoted in illustration of the slang "of the street"—as Wall street, which derived its name from the fortified northern boundary wall of the settlement of Manhattan—is called by its *habitues*, but the most important have already been enumerated.

Any one is eligible to become a member of the Stock Exchange who is over twenty-one years of age, and who has been a banker, broker, or dealer in stocks in the city of New York, for one year, or a clerk to a member for two years; and any member who fails to meet his contracts, is thereupon suspended from membership, but may be readmitted by a vote of two-thirds of the governing committee, after he has effected a settlement with his creditors, the nature of which he must explain to the committee at the time of his application for readmission. It is not an uncommon experience for members to have failed several times, and to have been promptly readmitted after each settlement; and as a rule, brokers are so lenient toward each other, that settlements are easy—perhaps too easy for some of the reckless operators among them, who abuse the credit which their membership affords. If, however, a member is guilty of fraud, he is liable to expulsion by a two-thirds vote of the governing committee, whose decisions are prompt and exemplary; and where reckless and unbusiness-like habits have led to suspension, they may also, by a majority vote of the Committee on Admissions, debar the reinstatement of a member.

Until the spring of 1875 the usual rate of commission charged by brokers to their customers, was an eighth of one per cent. for either buying or selling, but they were permitted to charge as low as a sixteenth, and in the case of regular investors as high as a quarter on the par value of securities. Brokers acting for other brokers, however, could buy or sell at a rate as low as two dollars per hundred shares,

which was the invariable charge in such cases; and the penalty for doing business below the minimum rates was expulsion. At the time mentioned, however, a large majority of the brokers voted in favor of raising the rate on all transactions, for customers not members of the Board, to not less than an eighth per cent., and on those for fellow-members to a sixteenth, except where the principal is substituted for the broker during business hours on the day of the transaction, in which case the rate should be not less than a thirty-second, while to investors it should remain unaltered: that on government securities being fixed at a sixteenth; a violation of this rule to involve expulsion of any member guilty of it. And this rule still remains in force, while under no circumstances is one broker allowed to do business for another, or for any person, without remuneration. Members, or their firms, can, however, be represented at the Board by a clerk on a salary, acting under a power of attorney. These restrictions were imposed for the protection of the business of the association against members disposed to "cut under" their fellows in the matter of commissions; and before any were adopted, stocks were frequently bought and sold for brokers at as low a rate as a dollar per hundred shares. The fact is, that except in times of speculative excitement, there are far too many brokers for the business, and the competition among them is very keen. One result of this is that most of them being unable to get orders to execute on commission, are led to speculate in the effort to make a living, but it by no means follows that they generally succeed in their object. Even the most alert of the "scalpers"—as those who buy and sell in the hope of making an eighth per cent. are called—are not commonly found to last very long, but gradually decline into a kind of pecuniary marasmus, and in the end vanish from the Board, no one knows how or why.

Stocks are usually bought and sold in the "regular way," that is deliverable or receivable on the following day; and where nothing is said about time by either party to a contract, it is understood to be "regular." Stocks are, however, frequently sold or bought for "cash," which means that the contract is to be performed on the same day—or with a three days' option to the buyer or to the seller. If the option is in favor of the former it is called "Buyer 3," but if in favor of the latter, it is styled "Seller 3," the first letter of the words only being commonly used to indicate these terms. A broker selling stocks "S. 3," can, if he chooses, make a cash transaction of it by delivering them on the day of sale, or he may deliver them at any time within three days; but if he sells them "B. 3," these conditions are reversed.

The same rule applies to options of ten, thirty, and sixty days, but one day's notice must be given before stocks so sold can be delivered or demanded. While three days' contracts bear no interest, all beyond that time carry interest in favor of the seller as long as the contract runs, at the rate of six per cent. Hence it is that the bears—namely, those who sell "short" for a decline—have an important element in their favor, for while they are making interest, the bulls—or holders for a rise—have to pay it, and it forms a heavy item in the account against them. For a period exceeding sixty days no contracts are allowed to be made. All stocks are deliverable at the office of the buyer before a quarter-past two o'clock on the day they are due, and payment for the same is made by check—certified if demanded—at the time of such delivery. Where delivery is not made by that time, the contract is continued until the following day, unless the buyer decides to notify the presiding officer of the Stock Exchange to buy in the stock for the account of the defaulting party "under the rule," when it is at once bought at the market price, and the delinquent seller pays to the buyer the difference, if any, between the price he sold at and the price paid when thus bought. No loss of credit, however, is involved in this proceeding, provided the difference is promptly paid, defaults in deliveries—except in cases of failure—being almost invariably in consequence of a scarcity on the street of the particular stock required, and a consequent difficulty in borrowing it. This is always true whenever a stock is "cornered," and considerable stock is at such times bought in under this inexorable though very just rule.

There is no limit to the amount of stock any one broker may buy or sell in a single day, whether or not he is trading on his own account, and whether or not he has any capital to back his operations; as no broker who bids for, or offers a stock can refuse to sell to, or buy from, as the case may be, any member who accepts his proffered contract; but either party to a contract may call at any time during the continuance of the same for a mutual deposit of ten per cent., and whenever the market price of the securities changes, so as to reduce the margin of the deposit either way below five per cent., either party may call for a deposit sufficient to restore the margin to ten per cent., and this may be repeated as often as the margin is so reduced. If the deposits are called for before two P. M., they must be made before three P. M. with the trust company agreed upon, but if called for later in the day, they are not required to be made until eleven A. M. on the following day. In the event of either party failing to comply with the demand for a deposit, the party calling may, after giving due

notice, report the default to an officer of the Exchange, and require him to re-purchase or re-sell the security involved, and, after collecting any difference that may accrue, pay it over to the party entitled to it. This privilege is frequently resorted to in the case of long-time contracts, but seldom in "regular" or three days' transactions unless a failure to fulfill them is apprehended, or wide fluctuations are anticipated in connection with some speculative movement; but it nevertheless, imposes a salutary check upon those of scanty means, restraining them from too desperate ventures.

The members of the Stock Exchange are not a particularly serious body, but are much given to mirth and laughter, jokes—practical and otherwise—general hilarity, and loud chorus singing when the market happens to be dull. "John Brown's soul is marching on," at such times alternates with "Glory, Hallelujah!" and the strains of "The Old Hundredth" have a very serio-comic effect within the walls of the modern temple of Mammon. The day before Christmas is always given up to amusing antics, the performances being chiefly musical, and the instruments toy drums, trumpets, and fish-horns, and business is correspondingly neglected for the time being. On a certain previously announced day in the autumn, all white hats appearing in the board room are unceremoniously crushed over the wearers' eyes, thrown high in the air, or otherwise disposed of, and all with perfect good humor. That the exuberant spirits of the average young stockbroker need restraining by wholesome moral discipline is evident, both from the experience of those who have observed him, and the by-laws which impose fines for indecorous language or conduct, interruptions of the presiding officer, acts endangering the persons of his fellow-members, and other little playful pranks to which he is given when he has nothing better to do; but on the whole, stockbrokers are a jolly, good-hearted, free-and-easy class of men, who spend their money fast when they are making it fast, and sometimes even when they are not doing so; are fond of the good things of the world, and prone very often to indulge themselves regardless of the morrow. This light-heartedness and joviality undoubtedly lessen the strain of a wearing and exciting occupation upon the nervous system very materially, and what is sacrificed in the way of dignity is gained in health; for it may be safely assumed that if the Stock Exchange were a serious body its members would die under their anxieties far sooner than they actually do. At best they lead for the most part lives of feverish excitement, and the death rate among them is abnormally

high, while nervous prostration, heart disease, Bright's disease, and apoplexy are the maladies that most frequently assail them.

A more liberal class of men than stockbrokers it would be hard to find, and a deserving cause never appeals to the Stock Exchange in vain. It is eminently charitable, while its donations are made in that broad catholic spirit which practically rebukes a narrow sectarianism and teaches true philanthropy. During the war it showed its patriotism not only by refusing to deal in gold, and by sending many of its members to fight the battles of the Union, but by munificent contributions to the cause so dear to the nation's heart.

A member once in possession of his seat has only his semi-annual dues of twenty-five dollars, in addition to his fines and the life assurance assessments, to pay, and his place at the board is worth far more than its cost ; a fact which will doubtless lead eventually to a much higher price for membership than hitherto. With a capital of fifteen or twenty thousand dollars, or even as little as ten, a broker can do a legitimate commission business by carrying stocks for customers. The margin put up with him by the latter is, or ought to be, equal to that which he has to allow in borrowing on the securities he buys and carries for their account ; so that his own capital remains intact to his credit with the bank he deposits with, and on the strength of which he can command certifications of his own checks in payment for stocks to a moderate amount—say treble that of his cash balance. These certifications of his checks by the bank are made with the understanding that his account is to be made good by three o'clock the same day, and they enable him to pay for stocks that he would otherwise be unable to pay for. The value of this kind of credit to the broker is obviously great, while it is equally obvious that the bank affording it is entirely without security for the time being for any amounts it may certify in excess of the broker's balance, but it is fair to say that the instances where brokers have failed to make their accounts good under such circumstances, before the close of business are very few. The practice is nevertheless a dangerous one for the banks, and suggests the advisability of establishing a Stock Exchange clearing-house like that connected with the Gold Room, which would dispense with the necessity for certifications.

The usual margin required by brokers for buying or selling stocks on, is ten per cent., or \$1,000 for each hundred shares, although occasionally only half the amount is exacted; but since the panic of 1873, some conservative houses are indisposed to either buy or sell on a margin of less than twenty per cent. This places them in a very easy

position indeed, for they can usually borrow to within ten per cent. of their market value, on the stocks they are carrying. In addition to their commission, brokers are constantly making on their interest account; that is to say, while they invariably charge their customers seven per cent. interest on the stocks they are carrying for them, they borrow at the market rate—which is generally much lower—on these identical stocks, or lend them out to the bears “flat”—that is free of interest—or at two, three, or four per cent., making the difference between seven per cent. and the market rate themselves. Again when they sell stocks “short” for their customers, they make six per cent. interest, but credit none of it in their accounts. In keeping out “short” contracts—not on time—brokers have occasion to borrow stocks instead of money, and this they do by paying the lenders the market price of the stock, and responding to any calls they may make previous to their return for more money to offset any advance that may have taken place in the borrowed securities. Operating on the “short,” or “bear” side of the market for customers, it will thus be seen leaves a broker’s bank account stronger than if they are on the “bull” side of the market, for not only does his own capital remain untouched, but their margin also. The stock that he borrows at the market price he delivers to those he has sold to, and receives their check in return; and any difference there may be between the checks he gives and those he receives, merely represents so much profit or loss to his customers. If a loss, he can require them to make it good by keeping their margin up to the percentage agreed upon; if a profit, it goes to swell the amount of margin in his hands, and consequently the balance to his credit at the bank.

The standard of honor is high among stockbrokers in relation to their contracts with each other, as it necessarily must be when these are the work of a moment, and a single word, and involve large amounts of money. Contracts once made are never repudiated, even where ruin might be averted by doing so, and where it might be difficult to prove them to the satisfaction of a court of law. Without this strict sense of honor there would be no safety in doing business at the stock board. Nowhere else do men stand by their bargains so resolutely, looking with such philosophical resignation upon their losses, and taking their profits so much as a matter of course. There are, it is true, exceptions to this rule, but they are rare.

In the struggles of the Stock Exchange, the longest purse generally wins; but the triumph is usually only for a season, for nowhere else do riches so suddenly take to themselves wings; and the millionaire

of to-day may be a hopeless bankrupt to-morrow. The moral to the wise, is that it is best to avoid Wall street as a theater for speculation on margins. But as a market for securities, in which respect it is now as indispensable as the Produce Exchange ; and when one is really possessed of the stocks he sells, or can pay for and take away with him those he buys, he does as legitimate a business in Wall street as is done by any merchant elsewhere. Few, however, are willing to limit their purchases to their actual capital, and in their haste to be rich, many are often left poor indeed.

The brokers who confine themselves strictly to a commission business—of which there are not many in fact, although many profess to do so—are the most successful in the end, and the only ones likely to retain their wealth after they have amassed it ; for stock brokerage is very lucrative where the capital is large and the orders abundant, and the returns even upon a small capital—provided enough commissions can be obtained, and losses are avoided—are usually far greater than in ordinary trade. The risks, however, are also greater, and fortunes that were made so fast during the war, are now of comparatively slow growth, while the battle of life on the Stock Exchange is a severe one. At least, the spectator who looks down from the strangers' gallery upon an excited market, would be led to think so. He might easily imagine—if he knew not what manner of men he was observing—that the brokers congregated together were actively engaged in tearing each other to pieces, howling meanwhile, like the demons in Dante's "Inferno" ; so great is the swaying to and fro, and surging up and down, of the human masses, each individual of which is apparently shouting or screaming immoderately, and darting his arms through the air as if in menace to his neighbors ; so semi-frantic are the gesticulations indulged in, and so great the clamor and turbulence of the scene. No wonder that men break down under such a strain, and that the secret history of the Stock Exchange is full of melancholy tragedies ; stories of squandered fortunes, and ruined health ; of desolated homes, and early graves—and all through pursuit of the gambler's prize of gain, as if money were the *summum bonum* of existence, the Ultima Thule of human effort.

That the New York Stock Exchange exerts a mighty influence over the price of the vast volume of securities dealt in within its walls, and indirectly, through sympathy, over all the securities in the United States, must be obvious to the most casual observer of the fluctuations recorded in the daily stock lists. That it is a barometer indicating every change calculated to raise or depress values is equally apparent,

although speculative influences may sometimes temporarily prevent the market from responding to legitimate influences. That it reflects the inactivity and depression of trade, and the consequently diminished earnings of railways, and the impaired value of other properties represented by stocks, in the reduced prices of those stocks, is as true as that when the general prosperity of the country revives, it will indicate the change by a corresponding improvement of prices. If war should be threatened, or if any great national calamity were to occur at any time, such as the destruction of crops, or the burning, as in the case of Chicago or Boston, of a large city, its responsive pulse would not fail to show it almost as quickly, and perhaps much more decidedly, than the indicator in the Gold Room ; and so long as men continue sensitive to whatever touches their pockets, so long will the Stock Exchange be equally sensitive to every thing that affects stock values directly or indirectly, and to all the mutations of public sentiment and opinion in relation thereto—a mirror of the times.

THE NEW YORK CLEARING HOUSE.

CONSIDERING the important part the New York Clearing House plays in the economy of the banks belonging to it, singularly little is known of it and its methods, even by the business community most intimately concerned with it, while to the masses it is almost as great a riddle as the Sphinx. The purpose of this article is to shed a gleam of light on the subject, preliminary to which, however, we may remark, in view of the fact that New York is the real and acknowledged financial center of the United States, it is somewhat surprising there is not more consolidated financial power here than we actually find to exist.

The New York banks are only nominally united through the Clearing House, for the purpose of making their daily exchanges and settlements, and enforcing sufficient discipline, in matters affecting credit and solvency, to protect themselves in their dealings with each other. Apart from this, there is practically no unity among them, except on special occasions when they combine for self-protection and mutual assistance, as they did at the time of the crisis of 1873 or to expel a member of their Association for cause, as in the case of the Bank of the State of New York, in March, 1876, or in appointing a committee to advocate or remonstrate against some particular measure pending in Congress or the State legislature, affecting banking interests, but the latter, of course, very rarely. It seems, nevertheless, perfectly feasible for them to agree upon and observe such a unity of action as would virtually make the Clearing House a power equal to the combined strength of the banks belonging to it, and give it a sway somewhat similar to that exerted by the Bank of England over the money market.

The members of the Clearing House should, to accomplish this end, meet weekly, like the governors of "the Old Lady of Threadneedle street," and fix a minimum rate of discount for commercial paper, as well as one for call loans, to be strictly adhered to by all belonging to the Association, till raised or lowered by a majority vote at a subsequent meeting. This action would largely influence

the domestic exchanges, and crystallize the monetary power of New York, giving it a more decided control of the monetary affairs of the country than it now possesses, owing to its banking system being without, what the Fenians might have called, a head center. Every bank is an isolated fragment of what joined together would become "one stupendous whole" in the absence of a United States Bank, which, as experience has proved, it is not desirable to create. But doubts as to the feasibility of such a consolidation of the power of the New York banking interest may reasonably be entertained, arising from prejudice and distrust, and the stumbling block of the usury law, which prohibits a higher rate of interest than seven per cent. per annum. The former should be swept away, however, as cobwebs of old fogyism, and the latter repealed, as all usury laws ought to have been long ago, for their continued existence is inconsistent with our national progress and enlightenment in other respects.

Some may object to the presence of a financial power here approaching in character to that of the Bank of England in regulating the market value of money, or, in other words, the rate of interest, but these, perhaps, fail to perceive that the strength which would spring from unity would be for the public weal, and not merely the aggrandizement of the banks. Their combined action in defense and promotion of their own interests would equally serve to protect the banking and commercial community at large, by giving warning of approaching monetary stringency, and inspiring greater confidence in the banks individually and collectively in times of panic. We saw the powerful moral effect of the before-mentioned course of the banks in 1873, and a more forcible financial illustration of the strength which unity gives was never afforded than in that particular instance. As soon as the public knew that all the Clearing House banks had resolved to act as one, the fears for their safety, which had previously prevailed, subsided. They helped themselves by assisting their neighbors.

It would be erroneous to suppose that a higher average rate of interest or discount would prevail in consequence of the suggested action of the banks through the Clearing House than under the present system, for the banks would, at all times, have to compete with private lenders—that is, the Wall street or open money market—just as the Bank of England has to compete with Lombard street, and there is a great deal of private capital available for loans, in New York as well as in London. The Clearing House would have to

lower its rates whenever outside rates were materially below it, and continued so for a sufficient length of time, or borrowers would obtain loans and discounts in the open market: this alone would be a sufficient check upon excessive bank rates. The Clearing House would both regulate the price of money and be regulated by it, and the extortion hitherto practiced by private lenders in making call loans in periods of stringency would be much less likely to occur in the face of an established Clearing House rate than under a system which permits each bank to ask whatever rate it chooses and to take the most it can get. The country needs a central monetary power to serve as a barometer of the times, and sooner or later it will probably be an accomplished fact.

There are at present seventy-eight banks in the city of New York—forty-eight of which are National, with a capital of \$68,500,000—but only fifty-nine of these are members of the Clearing House, their aggregate capital being about eighty millions. The remainder clear, or rather make their exchanges, through some of the others, by special arrangement. Without this facility for so doing they would find it practically impossible to do business, as their only alternative would be to present all the checks they received on other banks at their individual counters by the hands of messengers. A bank requiring this service performed for it opens an account like an individual depositor, with one willing to do the business, and undertakes to leave constantly on deposit with it, as security for the risk assumed, whatever amount may be agreed upon between them. The use of this credit balance is the only compensation the latter receives and it is usually little enough, for in so acting it takes upon itself the responsibility of paying all checks drawn upon the outside bank, the liability of a bank doing business for another being the same as for its own transactions, and it must give one day's notice to the Clearing House before it can discontinue exchanging for it. Nevertheless solvent banks not belonging to the Association have no difficulty in getting some of those who are members of it to act for them.

All the large banks are included in the organization, and only small institutions are excluded from it, but before a bank is admitted to membership it has to undergo an examination as to its capital and condition, while its general standing and the reputation of its managers are not lost sight of. There are, however, no fixed limits imposed as to capital or condition on entering the Association. For a large bank to be thrown out of the Clearing House—as in the case of the Bank of the State of New York, referred to—is equivalent

to forcing its suspension, as the discredit attending it would, if the institution concerned failed thereupon to close its doors, inevitably cause such a run upon it as would soon drain it of its deposits; but as a matter of fact, expulsion is never resorted to unless there are conclusive reasons why a bank should be discredited.

The banks of the city, with the exception of a few small institutions, which clear through larger ones, are thus seen to be united for a common purpose as members of an organization whose full title is "The New York Clearing House Association," the objects of which are defined to be the effecting at one place, *i. e.*, the Clearing House,—formerly in the Bank of New York building in Wall street, and now at the corner of Nassau and Pine streets—of the daily exchanges between the associated banks, and the payment of the resulting balances. It will conduce to the better understanding of the subsequent descriptions if the reader is made acquainted with the rules and regulations governing this body, and therefore we shall proceed to briefly summarize and explain the most important of them.

In the first place the Association is in no way responsible for the exchanges, or the balances, except so far as the latter are actually paid into the hands of the manager. Its responsibility is strictly limited to the faithful distribution among the creditor banks of the sums actually received by him, and in the event of any loss occurring while the balances are in his custody, the constitution provides that it be borne and paid by the banks in the same proportion as the other expenses of the Clearing House.

At every annual meeting a standing Clearing House Committee of five is chosen to supervise and direct the affairs of the Association generally, including its finances, but the manager, under control of this committee, has immediate charge of all business at the Clearing House so far as relates to the manner of its transaction.

The hour for making exchanges at the Clearing House is precisely ten o'clock in the morning. Between half past twelve and half past one, the debtor banks pay to the manager the balances against them in actual coin, United States legal tender notes, or United States Treasury certificates of deposit. At half past one, or as soon afterward as the amounts can be made up and proved, the creditor banks receive from the manager the balances due to each of them, provided all the balances due from the debtor banks have been paid. Should any one of the associated banks fail at the proper hour to pay the balance against it, the amount would have to be immediately furnished to the Clearing House, by the several banks exchanging with

the defaulting bank, in proportion to their respective balances against it, resulting from the exchanges of the day, and the manager in such a case is required to make requisitions accordingly, to avoid delay in the general settlement. The amounts so furnished the Clearing House on account of the defaulting bank would, of course, constitute claims on the part of the responding banks against it, and it would cease to be a member of the Association. Errors in the exchanges, and claims arising from the return of checks, or deficiencies in specie or legal tenders received at the Clearing House, or from any other cause, are adjusted directly between the banks that are parties to them, and not through the Clearing House, which is in no way responsible for irregularities or mistakes of this kind.

All checks, drafts, notes, or other items in the exchanges returned as "not good," or "mis-sent," have to be returned the same day directly to the bank from which they were received, and the latter must immediately refund to the bank returning the same the amount which it had received through the Clearing House for such items.

Every bank belonging to the Association is required to furnish a weekly statement of its condition to the manager for publication, showing the average amount of its loans and discounts, specie, legal-tender notes, circulation, and deposits, and the aggregate of these returns form the bank statement published every Saturday. The banks from time to time may appoint one of their own number, or the Assistant Treasurer of the United States at New York, to be a depository to receive, in special trust, such coin, or legal-tender notes as any of the associated banks may choose to send to it for safe-keeping; and the depository issues certificates in exchange for convenient amounts. The certificates payable on demand in legal-tenders—bearing no interest—are negotiable only among the banks, under a penalty of a hundred dollars fine; and are received by them in payment of balances at the Clearing House. Their use is entirely voluntary, and due to the greater safety and convenience of handling large amounts of them than their equivalent in money.

Originally the Bank of America was the chosen depository, but since the early part of the greenback epoch the banks have chosen the United States Sub-Treasury as such for both gold and currency; and there were—according to the official statement of the national debt—on the 1st of January, 1876, more than thirty-five millions of currency "certificates of deposit" outstanding. The Treasury gold certificates used for the payment of gold balances by the banks are,

however, precisely the same as those issued to the public generally, payable to the bearer on demand.

New members have to pay an admission fee according to their respective capitals, ranging from \$1,000 for banks whose capital does not exceed half a million, to \$7,500 for banks whose capital exceeds five millions, and any bank increasing its capital has to pay a proportionate sum. A standing committee of five is chosen at every annual meeting, which, acting in concurrence with the Clearing House Committee, has power in cases of extreme emergency, where a majority of both committees is present, by a unanimous vote, to suspend any bank from the privileges of the Clearing House until the pleasure of the Association is ascertained, upon which a general meeting must be called forthwith to consider the action.

Any member of the Association may withdraw at will after paying its due proportion of all expenses incurred, and signifying its intention so to do to the Clearing House Committee. The expenses of the Clearing House—not including the expense of printing for the several banks, which last is apportioned equally—are borne and paid *pro rata* (after the payment of two hundred dollars by each) by the banks belonging to it, according to their respective capitals, ranging from \$100 for those whose capital is under half a million, to \$750 for those whose capital exceeds five millions, and in the same proportion if more funds become necessary.

Whenever legal tender notes are known to have been withdrawn from use through the agency of any bank belonging to the Association, the Clearing House Committee is required to make an immediate examination of such bank, and, should there appear to be complicity on the part of it or its officials in any locking-up movement, to suspend it from the Clearing House until action by the Association is taken thereon. This rule was adopted in consequence of the part certain banks were at one time supposed to have taken in the outrageous proceeding of locking up money, in collusion with unscrupulous speculators aiming to depress prices on the stock exchange.

Gold checks are cleared in a separate department of the Clearing House, and the exchanges there are made at ten o'clock A. M. also. The debtor banks pay to the manager, before half past twelve, the balances against them, either in coin or treasury gold certificates, and at that hour, or as soon afterwards as the amounts can be made up, the creditor banks receive from him the balances due them in the same manner and on the same conditions as in the

regular clearings of the banks, the expenses being likewise divided *pro rata*.

There have been only two managers of the Clearing House since its establishment in 1853, namely, Mr. G. D. Lyman, and the present incumbent, Mr. W. A. Camp, and the advantages of the new system of making the exchanges over the old practice of the banks—which was to draw settlement-checks on each other for even thousands near the balance due, the account between them thus always showing a small balance still unsettled—have been thus stated:—"the condensation for each bank of its very many balances into one, and the settlement of that balance without a movement of actual coin or legal-tender notes, unless for sums below any of the denominations of gold certificates, or certificates of deposit, to make change; the saving of clerical labor by the avoidance of numerous accounts, entries, and postings; the great saving of time to the settling clerks and porters of the banks, and the vast diminution of risk in making exchanges and settlements from bank to bank; relief from the labor and annoyance to which the cashiers, tellers, and book-keepers of the banks were subjected under the old system; the liberation of the banks from all injurious and complicating dependence on each other, as well as the facilities afforded by the Clearing House books for knowing, at all times, the management and standing of every institution belonging to the Association."

Some opposition was nevertheless originally manifested to the establishment of the Clearing House, notwithstanding the defects of the system it superseded, on the assumption that it was not needed and might favor a dangerous concentration of power in the hands of a few managers who might use it for inquisitorial purposes, and the exercise of an arbitrary supervision. Hence for nearly a year after its practical adoption it remained without a constitution, and its members are still averse to using it for any other purposes than those it was organized to serve.

Under the old system of making the exchanges, one half of the banks simultaneously sent porters to the other half to pay or receive balances, each carrying a book of entry. The paying teller of each receiving bank entered the exchange on the credit side of the book, after which he entered on the debit side the return exchange, and immediately the porter hurried away to pay and receive in like manner at the other banks. Thus the porters crossing each other's course often met in groups at a single bank, and were delayed by having to wait their turn, so that it took an hour or two to make the

circuit, and the exchanges were not completed generally until afternoon. The banks made no attempt at a daily settlement of accounts between themselves owing to the time it would have consumed, but they informally agreed upon a weekly adjustment of balances after the exchange of Friday morning. The cashier of each bank then drew checks for all the balances due it by other banks and sent out porters to collect them, and these porters, after the collections were made, met to adjust differences, which were usually many, and bring order out of chaos.

An old bank officer—Mr. I. S. Gibbons—in describing the inconveniences and defects of the system, says that the light infantry banks—those of small capital and speculative tendencies—used to make a practice of profiting by this weekly settlement, by borrowing money on Thursday, which while restoring their accounts for Friday, made them debtors again after its return on Saturday. Thus their debts to other institutions—the result of their own ingenuity—enabled them to loan or discount to a larger amount than their legitimate resources would have permitted, for it followed that if each succeeded in obtaining an average credit of three thousand dollars, with say thirty banks, it would have ninety thousand dollars added to its supply of loanable funds. Virtually, therefore, the weekly settlements were only such in name, and that there was no attempt at economy of time or labor in making them, was evident from the fact of each cashier—when the paying teller or his assistant had completed his exchange balance list—drawing checks for every balance due him by the other banks, whereas, a draft on one in favor of another, would have settled two accounts at once. The porters of all the banks were simultaneously let loose, like a pack of hounds in pursuit of the same game, and they succeeded in nothing more than in getting in each other's way, while depositing specie at some banks, and drawing it at others, and falling into unavoidable blunders and disputes, tending to much confusion, as they went their rounds.

The wrangling at the so-called porter's exchange, in front of one of the Wall street banks, after the draft drawing was finished, furnished an amusing commentary on the whole system, for in their efforts to account to each other for what had been done during the day, matters often became almost inextricably "mixed." Perhaps Jones said that he had left a bag of specie at Smith's bank, that was due from Robinson's bank to Brown's, but Brown's bank had to deliver a far larger amount to Smith's. Where had that gone? No one at the moment could answer the question, but it transpired that

Williams was owing a balance to Brown, and Robinson was similarly indebted to Williams, while White had paid Brown by a draft from Black, which Black had received from Muggins, on account of Williams, but this only satisfied a portion of the debit balance, and the difficulty in the way of adjustments was not overcome by the reminder that a third of the remainder was off-set by a bag of gold which Edwards had given to Wilson, and that he, in turn, had delivered to Green. It would have puzzled a Philadelphia lawyer, or any other, to unravel such a tangled skein as this, but—*mirabile dictu*—these porters solved the riddles one by one as they presented themselves, and eventually made a settlement and dispersed to their respective banks.

One of the vexatious features of the system was that a draft, however small, by one bank on another, led to a general drawing, and although, if time permitted, the debtor banks would have to pay the balances against them, it frequently happened that three o'clock came and the banks closed before the payments were all made, and consequently the banks where the demands rested had to respond to them, and it was not uncommon for a debtor bank to largely increase its specie before the close, with its debt to the other banks, perhaps, doubled, nor for a creditor bank to find itself a heavy loser of coin, institutions with, say, half a million credited to them in the general account being sometimes depleted in this way of nearly a quarter of a million of specie. It is not surprising that the weak and speculative banks, which made a practice of profiting by the defects of the system to enforce credit balances, were opposed to any improvement in it, fearing the restraining results of change, while the stronger ones had prejudices to lay aside and grievances to forget. But the success of the new system was not long in overcoming all objections. Even the banks that had benefited most by their own cunning in engineering credit balances began to think that honesty was the best policy, if no higher motive inspired it, and to consider fair play a jewel, and that the new order of things was better for all than the old one. Innovations upon established customs are, however, always regarded with suspicion and distrust, and, therefore, adopted slowly and with hesitation; but, their success once assured, men look back with something like wonder upon their own previous failure to comprehend what was so obvious, and to put faith in what most merited it.

In no one respect is the new manner of clearing more an improvement upon the old than in the issue of the Clearing House and gold certificates. Under the latter, if the amount required in the settle-

ment of the exchanges was a million and a half of dollars, it would have required the movement of three tons of gold coin, involving, of course, considerable expense as well as risk, whereas now this, or the necessity for handling greenbacks, is entirely obviated by the use of these vouchers, each of the former of which certifies that some one of the Clearing House banks has deposited in the sub-treasury a certain sum in legal tender notes—not less than \$5,000—subject to return on demand.

If the weak banks had, at first, occasion to dread the establishment of the Clearing House, the sound ones had reason to welcome it because of the protection and information it furnished of the condition of all alike. The totals of the general proof being daily transferred to the ledger, reference to this is alone necessary to ascertain the dealings of each individual bank, day by day and year by year, since it became a member of the Association, and while the extent of its business is thus exhibited, a fair inference as to its character may also be drawn. This affords a constant check upon irregularities and brings all the banks equally under the scrutinizing eye of the Clearing House. It is a source of terror to evil doers, but a panoply of strength to those that have nothing to fear, and all are too keenly sensible of the fatal character of expulsion from the body to jeopardize their own credit and safety where it can possibly be avoided. This feature has done much to prevent the undue extension of loans which prevailed prior to the organization of the House when weak banks borrowed from day to day, or bought specie, so as to make their average reserve of coin appear greater than it really was.

These forced averages became impossible under the new *régime*, for the average of each bank had to be determined from resources within the bank, and not a dollar could be borrowed or bought without exposure. The importance of this as an element of good banking will be recognized when it is remembered that the loans rest on the legal-tender (or, under specie payments, the coin) average reserve, this in turn resting on the deposits, and the latter being dependent on the resources of trade. Since the organization of National banks the checks imposed by the Clearing House have been less needed, so far as they are concerned, the provisions of the National Currency Act of themselves imposing restrictions of a sufficiently stringent character to insure safety in several essential particulars.

Prior to the establishment of the Clearing House the quarterly statements of the banks were never trustworthy, for as the dates for making these were fixed by law, it was easy to prepare for and "cook"

them to an extent which rendered them only a delusion and a snare, where it was to the interest of those concerned to falsify, but of course strong and honestly managed institutions had no inducement to resort to such chicanery. The custom was for banks with their loans unduly extended, to borrow deposits for a single day in any way they could, and to reduce loans to directors for a few hours, or bridge over by transit checks through other institutions. Nor did a subsequent modification of the law requiring the Bank Superintendent to name antecedent dates for these statements, prevent them from availing themselves of discreditable expedients to make themselves appear stronger than they were. By the positive liquidation the Clearing House enforced, it set a good example to the rest of the business community, and imposed a salutary restraining influence upon speculative trade and commerce.

Before and during the war the banks used the Clearing House as a vehicle for redeeming their own circulating notes, as well as those of country banks redeemable by them. Thus each bank included the notes of every other bank, and those of the institutions for which each one of them redeemed, in its exchanges with it, the same as checks. Following the issue of National Bank notes, and after the withdrawal of the State Bank circulation under the prohibitory taxation imposed upon it, the Clearing House was used in the same way, only to a less extent, for the redemption of the notes of country National banks having redeeming agents among its members, but the trouble of assorting them gave general dissatisfaction. The Park Bank then undertook for a consideration of about five thousand dollars a year, to assort the country bank notes of all the other banks in the city, and this arrangement was prolonged for nearly two years, the plan of working meanwhile gradually improving in efficiency, when it was interrupted, and superseded by the establishment of the Redemption Bureau in the office of the United States Treasurer at Washington, for the purpose of redeeming the notes of all National banks.

The tendency of country bank notes is always, in dull seasons, to accumulate at the financial centers, and especially New York, and although all National bank notes are both guaranteed by the Government and fully protected by United States bonds, which makes them equally good wherever and by whomsoever issued, the fact of their not being legal-tenders, but redeemable in such, makes the city banks at such times, desirous to exchange them for the latter at frequent intervals—as they can not be counted in their reserves. An easy

means of so doing was furnished by the Bureau referred to, and therefore the Clearing House ceased to be used for the redemption of circulation, and the exchanges became limited to checks and drafts. There is nothing, however, to prevent any bank belonging to the Association from including notes issued by any other bank belonging to it in its exchanges with it; but this would be very exceptional and only resorted to in the case of notes of the largest denomination. In active seasons, it may be remarked, the natural outflow of money from New York enables the banks there to send country National Bank notes away nearly as fast as they are received, so that there is no such tendency to congestion then, as when the money market is easy and sluggish.

The present sumptuous quarters of the Clearing House are a great improvement upon the old, and all the arrangements of the establishment are admirable, and carried out, under Mr. Camp's excellent management, with the precision and regularity of clock work. Instead of all the accommodations being on the top floor, and the line of desks being in circular form, as in the Bank of New York building, the offices and bank officers' rooms are on the second floor, while the large square room where the exchanges are made is on the third floor, and the desks are arranged in three parallel rows, each desk being numbered, and having the name of the particular bank for which it is designed lettered on a silver plate in front. The desks, which present an elegant appearance, are of dark polished wood, and provided with seats, drawers, and other conveniences for the clerks occupying them. At the western end of the room is the manager's gallery, reached by a short flight of stairs, and there, while the exchanges are being made—exclusive of the manager—sit the assistant manager and a couple of clerks, besides a telegraph operator at his instrument.

Accepting an invitation from Mr. Camp to see the *modus operandi* in making the exchanges, we met him one morning last March in the Manager's Room. At five minutes to ten o'clock, a striking bell touched by his assistant in the upper room, rang over his head, the usual signal to insure his attendance in the Clearing House gallery at the proper time. A minute later he led the way up a private staircase to the large room, and through it to the gallery above.

Looking down from this elevation, his eye took in the entire apartment. It was full of bank clerks and messengers, sitting, standing, and lounging at their respective desks, while the hum of conversation among them was busy. The settling clerks had their

statements before them ready to be filled up, and the messengers on the other side of the desks were in waiting to distribute their packages. A number of the larger banks were represented by two clerks each, to expedite business during the making of the exchanges. Meanwhile, the assistant manager and one of the clerks were busy entering in the proper printed form, or Clearing House proof, the amounts the different banks had brought to exchange in currency checks, including bank drafts, and the second clerk was similarly engaged with regard to the gold checks, the two being kept distinct, and a separate proof of each made. The tickets, or Clearing House blanks, furnishing these figures, were being handed to a Clearing House clerk on the floor by the bank settling clerks, and by him sent up by a mechanical contrivance to the gallery. Each of these—signed by the settling clerk concerned—read "credit Bank of Commerce (or whatever the bank's name might be) \$341,626.12" (or whatever the amount of the checks it had to exchange with all the other banks might be), and from the whole of these bank tickets the Clearing House was enabled to ascertain the amount of the credit exchange—figured in the proofs under the head of "Banks Cr."

A minute or two before ten o'clock the manager clanged his bell from the position where he stood in the center of the gallery, this being the signal to get ready. Immediately all fell into position, like soldiers who had been standing at ease, at the word of command. Every man was at his desk, and ready for his work awaiting the next clang of the bell, which was heard at ten precisely by the clock on the opposite wall. Then every bank messenger, with his open box or satchel, in which his packages were arranged in order, began his slow march by moving to the next desk, where he deposited his package of checks intended for the particular bank represented there, receiving therefor a receipt in the shape of the settling clerk's initials to the entry of the amount in the receipt list he carried with him. From this he passed to the next desk, and so on to the end of the lines, doing the same thing at each, by which time his satchel or box, was empty and he was back at his own desk with his sheet showing a receipt for every package he had delivered.

This left the settling clerks with the packets of checks on their desks which constituted their debit exchanges, and these they entered in their respective statements under the title of "Banks Credit," which were checked by the messengers calling back the amounts from the packets. The totals of these statements formed the debits of the banks in the Clearing House proof. Where the

checks exchanged were few they were generally contained in envelopes, and where they were many they were made up in bundles.

The exchanges are usually made in eight minutes, that being the interval which, on an average, elapses between each messenger's starting from his desk and getting back to it again, but in this instance the time was slightly exceeded, when the manager gave the bell signal that all the exchanges had been made. Immediately each messenger took his return exchanges, left there as described, from his desk, and after receiving from the settling clerk a ticket showing the amount of the debit and credit exchanges, and the consequent balance for or against his bank, he took his departure. A very short time afterwards, depending upon its nearness to the Clearing House, the bank was thus made aware of the balance it would have to receive from or pay to all the other banks collectively through the Clearing House that day. There might be slight errors in the figuring, owing to haste, but the ticket would be substantially correct.

While the same time is occupied by each, some of the clerks, in making the exchanges, owing to their expertness in figures, are enabled to return them to their respective banks before others. They left singly, or by twos and threes, until only the settling clerks remained, the assistant settling clerks having left about the same time. These clerks now busied themselves in making up their statements, showing the position of their own banks towards every other, and the rapidity with which some of them worked was shown by their sending their tickets up to the gallery in less than ten minutes afterwards. These tickets showed the amount of the debit and credit exchanges and the consequent debit or credit balances of the respective banks for the information of the Clearing House, and the figures were transferred to the proper proofs as fast as they were received by the assistant manager and clerks.

Of the fifty-nine banks belonging to the Clearing House, thirty-six exchange gold as well as currency checks, separate tickets being furnished for gold and currency, and fifteen of their number have the figures of their own settling clerk's tickets telegraphed to them on account of their buildings being distant from the Clearing House, and the consequent delay in the return of their messengers. This number is liable to vary, thirty having formerly received the information by telegraph. Of the whole number of associated banks forty-five are National and fourteen are State institutions, and these, as already intimated, not only make their own exchanges, but those of the other nineteen banks in the city.

At twenty-five minutes past ten, the manager, addressing the settling clerks, said "The gold proof is made!" previous to which, of course, the thirty-six clerks representing the banks exchanging gold, had sent up their tickets to the Clearing House clerk in charge of the gold proof, who, having transcribed them, found the totals agreed, and that they were therefore correct. A proof was made at the first trial, but only in one instance in the history of the Clearing House, has a currency proof been made on the first trial. Some one or more of the clerks makes an error in figuring, which prevents the aggregate debit and credit balances agreeing, but they are allowed until five minutes to eleven to correct errors in their tickets, after which time, however, fines are imposed for each correction, and at half past eleven the fines are doubled, and at twelve quadrupled. Eleven o'clock is the average time at which a currency proof is made, although on one occasion it was as late as five minutes to one before the result was attained. This occurred after the removal to the new building, and the difference which caused the unusual delay was only two dollars, owing to a blind figure nine being mistaken for seven. At half past ten, all the currency tickets having been previously received from the settling clerks, and their figures duly transferred to the proof sheet, and the additions made—the manager reading from his assistant's memorandum, said "The difference is \$4,826 $\frac{17}{100}$!" The settling clerks immediately applied themselves to the correction of their statements, and corrected tickets were sent by two or three of them to the gallery. A few minutes later he said "\$212 is now the difference!" Another corrected ticket came up, but this merely reduced the difference to a smaller sum, so at five minutes to eleven—without informing them what difference still remained—he ordered the clerks of two banks, at desks far apart, to pass with their statements up and down the lines, and visit every other bank, one to the right and the other to the left. This was done, and all the other clerks followed suit in their turn, and called off the balances to the debit or credit of each, while the clerks of the visited banks called back the amounts charged. This comparison was one of several ways which are adopted for making such discoveries, and it is usually the final method of revision, the test being certain to make the proof, provided the additions are correct.

We may here mention that each settling clerk had previously sent to each of his fellows a ticket showing the amount he had brought to exchange with his particular bank, the amount he had received from him, and the resulting debit or credit balance, the

same corresponding with his statement of the position of his own bank toward every other. If any error existed in this, the clerk to whom it was sent discovered it by comparison with the original statement in his hands.

The clerks having passed slowly round, pausing to call off the figures at each desk, the error was discovered. A few moments later—the accuracy of the general proof having been determined by the agreement of the debit and credit columns with each other, and also by the agreement of the balance columns—the manager called out “The proof is made!” and the settling clerks were at liberty to leave, which they had not been before since ten o’clock, without the manager’s permission. The making of the comparison described occupied ten minutes, so that the proof—showing at a glance the total amount of the exchange, the amount received from each bank, the amount of the return exchange, or checks taken away by each bank, the balance owing to or by each, and the total balance of the exchanges—was not announced till a little more than five minutes past eleven. After this the manager called off from the balance sheet handed him by his assistant, the amount in thousands of dollars, to the debit or credit of each bank arising from the exchanges of the day, which the settling clerks transferred to the corresponding blanks before them, and took away for the information of their respective institutions, such, however, not being at all essential to the transaction of their business at the Clearing House. It ought to be stated that although the manager remained in the gallery on this occasion until after the proof was made, he usually goes down to his office as soon as the exchanges have been completed, leaving his assistant to preside during the rest of the time.

By ten minutes past eleven all the settling clerks had taken their departure, not to return until the next morning at the usual hour, exchanges at the Clearing House being made only once a day, and the room in question being meanwhile unused. The remaining business of the day was transacted on the floor below, the debit banks sending their messengers with the amounts due to the Clearing House between half past twelve and half past one and receiving receipts therefor, and the credit banks sending for the balances due to them at half past one or later and giving receipts therefor in a large book in the outer office provided for the purpose, but in the case of gold balances, the debtor banks were required to pay their balances to the manager before half past twelve, while the creditor banks were entitled to receive those in their favor at that time, or as soon after it as practicable, in accordance with the provisions of the

constitution. In this way from seventy-five to a hundred and twenty millions a day are cleared by the payment of balances amounting to between three and four millions only, the average proportion of the balances to the exchanges being about four per cent.

The Clearing House, it will be seen, only retains custody of the funds which it thus holds as trustee for an hour or two, and every bank belonging to the Clearing House keeps a current account with the latter, debiting it with all money sent and crediting it with all returned.

A chapter might be written on the settling clerks and their humors, but suffice it to say that they are for the most part very young men, with the same tendency as stock-brokers to become unruly and hilarious on slight provocation when not controlled by the presence of the manager, whose personal influence over them is far greater than that of any of his subordinates. The discipline he maintains among them is perfect, for he knows when to be firm and when to be kind; but in his absence they have been known to be guilty of most unseemly and noisy mirth over trivial incidents. Most of them are quick at figures, and some of them deserve to be called lightning calculators; but others are slow, and a few are dull boys hardly equal to the work. Many bank officers are, however, inclined to think any junior clerk good enough to send to the Clearing House, provided he escapes with few fines, and they act accordingly, although there are not a few of an opposite way of thinking who, apart from their objection to fines, employ the quickest and most intelligent of their youngest *employés* in the service. Of course among so many, changes are of frequent occurrence, yet these clerks, where they show aptitude for the business, usually remain for two or three years attending to this and other bank duties, before being promoted to higher positions in their respective banks.

To Albert Gallatin is due the credit of having made the first proposition for the establishment of a New York Clearing House. This he did in a pamphlet published in 1841, and entitled "Suggestions on the Banks and Currency of the several United States," in which he said: "Few regulations would be more useful in preventing dangerous expansions of discounts and issues on the part of the city banks, than a regular exchange of notes and checks, and an actual daily or semi-weekly payment of the balances. It must be recollect that it is by this process alone that a Bank of the United States has ever acted or been supposed to act as a regulator of the currency. Its action would not in that respect be wanted in any city the banks of

which would by adopting the process regulate themselves. It is one of the principal ingredients of the system of the banks of Scotland. The bankers of London by the daily exchange of drafts at the Clearing House reduce the ultimate balance to a very small sum; and that balance is immediately paid in notes of the Bank of England. The want of a similar arrangement among the banks of this city produces relaxation, favors improper expansions, and is attended with serious inconveniences. The principal difficulty in the way of an arrangement for that purpose is the want of a common medium other than specie for effecting the payment of balances. These are daily fluctuating, and a perpetual drawing and re-drawing of specie, from and into the banks, is unpopular and inconvenient."

It was Mr. Francis W. Edmonds, formerly cashier of the Mechanics' Bank, who originally planned the issue of what are now known as Clearing House certificates, he having in 1852 induced four of the largest banks to join his own in depositing a million dollars in coin with the latter, for which it issued its certificates, and those were received instead of coin by the other banks in payment of balances. Thus the way was paved to the establishment of the Clearing House about a year later, whose constitution was prepared by Mr. George Curtis, and adopted on the 5th of June, 1854.

The annual reports of the Clearing House since its organization furnish some interesting and suggestive figures, which reflect not only the natural growth of the banking business of the country, but the effect of the irredeemable currency issues in stimulating commercial and monetary activity. While the total exchanges of the New York city banks amounted to only \$5,915,742,758 in 1860-61, they aggregated \$26,032,384,342 in 1864-65, an increase of more than twenty thousand millions of dollars. The increase was progressive in about an equal ratio with the increase of the national debt, the exchanges having been \$6,871,443,591 in 1862; \$14,867,597,848 in 1863, and \$24,097,196,655 in 1864. But the feverish activity and speculative excitement born of inflation went on increasing after the volume of the currency had reached its maximum, and continued after it had begun to dwindle largely under the withdrawal from circulation of interest bearing legal tender notes. Thus in 1866 the exchanges rose to \$28,711,146,914, and went on swelling until they reached \$37,407,028,987, their culminating point in 1869. In the following year, however, they suddenly fell off to twenty-seven thousand millions, but recovered to thirty-three thousand millions in 1873. The depression succeeding the panic of that year became strikingly appa-

rent in the exchanges for 1874, their aggregate declining to less than twenty-one thousand millions, and only recovering to twenty-three thousand millions in 1875. But even this sum appears very large in comparison with the five to eight thousand millions within which were embraced the exchanges of each year from 1854 to 1862 inclusive. It is noticeable that the same signs of depression were visible in the Clearing House returns after the panic of 1857, the exchanges having declined from \$8,333,226,718 in 1857—the heaviest up to that time—to \$4,756,664,386 in 1858, the lightest ever recorded.

The average daily exchanges ranged from a little over fifteen millions in the year last named to about a hundred and twenty-one and a half millions in 1869, and the average daily balances paid in money from less than a million—namely \$940,565—in 1855 to nearly four millions—namely \$3,939,266—in 1872, showing a percentage of cash balances to exchanges varying from 6.6 in 1858 to 3. in 1869, and an average of 4.1 for the first twenty-two years of the business of the Clearing House. The average daily exchanges and balances during the same period were respectively \$61,102,416 and \$2,491,440, while the exchanges for the twenty-two years aggregated the enormous sum of \$413,464,866,992, which involved the payment of balances in settlement amounting to \$16,858,398,139.

The smallness of the balances paid in money by the banks to each other in proportion to their exchanges show not only the advantages of the system of clearing pursued, but how largely checks and bank drafts perform the functions of currency. The banks belonging to the Association have varied in number from forty-six after the panic of 1857 (against fifty before it) to sixty-two in 1871, and their capital increased almost steadily from forty-seven millions in 1854 to nearly eighty-four and a half millions in 1871, but in 1875 it had dwindled to \$80,435,200, and it has since undergone further diminution by the reduction of the capital of the Bank of the State of New York—since readmitted to the Association—from \$2,000,000 to \$800,000.

The statistics we have quoted give a very good idea of the banking movement at the monetary center, and to a certain extent, hold up the mirror to that of the entire country. In them, too, in their detailed form, we see reflected the ebb and flow of the currency. The loans attain their highest point in August, when money is cheapest and most abundant, following which they gradually decline till they reach their lowest point in November, or early in December; then a rising average becomes perceptible, and continues until the end of March, when an outward flow of money again sets in to provide

for the settlements which take place in Pennsylvania and several other states on the first of April, as regularly as leases are renewed in New York on the first of May, but after the middle of April the return flow begins and continues until the vacuum caused by its withdrawal has been filled, both movements being as regular as the tides.

With respect to the affairs of the Clearing House itself, it need only be said that they are on a solid and satisfactory basis. The present building cost the Association \$215,000, in addition to which it expended \$135,000 for alterations. Before its purchase it had accumulated funds amounting to a hundred thousand dollars, and in order to provide the difference it authorized and then subscribed for \$250,000 of Clearing House building stock, the amount to be equally distributed among the banks, and the stock certificates to bear interest at the rate of seven per cent. per annum, payable semi-annually. The portion of the building not used for Clearing House purposes is leased and the income therefrom nearly equals the amount of interest payable on these certificates, while the deficiency is charged among the ordinary expenses of the Clearing House. The latter, including the manager's salary of \$10,000, amount to about \$30,000 a year, exclusive of any deficiency from the source referred to, but the Association was assessed \$40,000 for 1876. Exclusive of the manager, the staff of persons employed by it consists of the assistant manager, four clerks and a private policeman. And now all has been told that the average reader will probably care to know about the New York Clearing House, which is superior to any establishment of the kind in any other city of the United States, and which might be copied with profit to themselves by the banks of London and other European capitals, its plan being much more simple, perfect and better calculated for the purpose than theirs. Indeed, in view of the fact that the exchanges have been made and the settlements effected since its organization, without the slightest error or loss, and with such economy of time and labor as we have described, it seems hardly possible for any improvement in its methods to be made, although its scope might be enlarged in the manner suggested, with advantage to both the banking interest and the public.



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